Quarterly Economic Forecast

COVID-19 Shifts the Sands Under the Global Economy

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The COVID-19 outbreak has quickly morphed into an unprecedented global economic shock. What started out largely focused on China's highly-integrated supply chains, has turned into a globally transmitted supply and demand shock. As more countries try to clamp down on the virus' spread with social distancing tactics, an initial sharp drop in travel and tourism is being followed by a reduction in other activities and spending. This is now a question of whether governments and central banks can shore up business and household confidence, in the face of extreme equity and bond market volatility.

Past virus outbreaks offer only limited insight into current developments. A key distinction with COVID-19 is not the number of impacted countries, but rather the strong behavioral response to limit contagion via large-scale quarantines and interruptions to business operations. We have not seen anything similar in scale in recent history. The result creates far more forecast uncertainty over the next several months.

Wild swings in global equity markets have echoed and amplified these concerns, further punctuated by an unanticipated sharp drop in oil prices. Weakening global demand was already weighing on oil prices. However, a failed OPEC+ meeting to tighten supplies led to a complete 180-degree tactical move by Saudi Arabia, which has decided to instead flood the market with record levels of supply. This appears to be an attempt to squeeze out marginal producers and strong-arm other OPEC+ members to fall in line.

Regardless of the rationale, the negative ramifications are borne out in oil-exporting regions. The U.S. oil and gas sector will not be spared, with the potential for amplified financial risks imparted to heavily indebted firms.

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As we've noted several times in the past, markets always fear what they cannot measure. Today's environment is riddled with uncertainty, complicated by a large economic shock from business and household behavioral adjustments.

When sitting within the nexus of uncertainty, it's important to not have a knee-jerk reaction on the forecast. We must permit time to evaluate the responses of central banks and governments to mitigate the downside. In doing so, we start with some basic assumptions based on observations. The first of these is that preliminary data indicate China's aggressive quarantine measures have limited the number of new cases of the virus and contained the economic shock to a relatively

short period of roughly three months. However, for that period of containment, the impact to retail sales and industrial production was far greater than ever seen in its historical data.

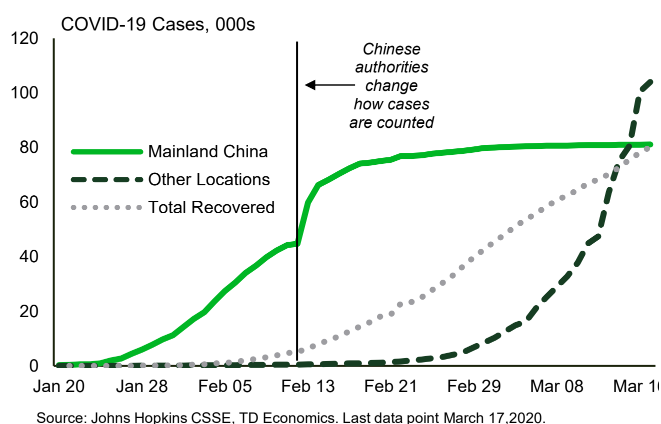
This speaks to depth, but not duration. We assume similar outcomes occur among other countries, with Italy, Spain, and France being the latest to implement stringent containment measures. Together, this assumption reduces global growth by 1.3 percentage points and leads to the slowest pace since the global financial crisis, at just 1.7%. However, the recovery phase creates a tailwind to growth in the second half of this year, which lifts our 2021 annual growth by a 0.7 percentage point (to 4.0%) relative to our prior forecast in December.

For the United States, the impact on activity is expected to follow a similar pattern, with the second quarter bearing the brunt of the economic adjustment. However, in advance of the real impact to the economy, the Federal Reserve has responded proactively by lowering rates and shoring up liquidity. In addition, governments have been able to mobilize to ensure appropriate income support measures will be in place to the most heavily impacted businesses and households. Combining the influences still results in a significant downgrade to our 2020 forecast of one percentage point, with annual growth of 1.0%.

Containment is priority number one

As the virus has spread, attention has rightly turned to the policy response. The first task is to contain the virus. Large scale quarantines in China led to a steep drop in economic activity in February. This was evidenced by double-digit declines in auto sales, exports and plummeting manufacturing activity. China's manufacturing sentiment indicator plummeted to 35.7, a level that is lower than the financial crisis experience (38.8). The good news is that the rapid decline in reported new virus cases is prompting Chinese authorities to begin to normalize operations. Absent another large breakout elsewhere in the country, growth is expected to re-emerge in the second quarter of this year.

Chart 1: As China's COVID-19 Cases Settle, the Rest of the World Erupts



Source: Johns Hopkins CSSE, TD Economics. Last data point March 17,2020.

Table 1: Forecast Revisions

	Dec QEF		Mar QEF		Change	
	2020	2021	2020	2021	2020	2021
World	3.0	3.3	1.7	4.0	-1.3	0.6
Advanced	1.5	1.7	-0.1	2.3	-1.6	0.6
U.S.	2.0	1.9	1.0	2.1	-1.0	0.2
Canada	1.6	1.8	0.2	2.1	-1.4	0.3
UK	0.9	1.5	-0.7	2.4	-1.6	0.9
Japan	0.6	0.8	-1.4	1.1	-2.0	0.3
Euro Area	1.2	1.5	-1.6	2.5	-2.9	1.0
Germany	0.5	1.4	-0.5	2.1	-1.0	0.7
Emerging Markets	4.1	4.4	2.9	5.1	-1.2	0.7
China	5.9	5.7	4.1	7.3	-1.7	1.6

Source: TD Economics

Unfortunately, the rest of the world is now in the thick of containment measures and efforts appear to be following a similar playbook. In Italy, France, South Korea and Iran, lockdowns have been mandated across the entire country in varying degrees. Irrespective of the number of confirmed virus infections, surrounding regions are also responding proactively by limiting entry into their countries and pursuing widescale cancelations of group events. Perhaps nothing is more symbolic of this than Ireland's cancellation of the annual St. Patrick's Day parade with 21 known coronavirus cases at the time. These responses will impart a large near-term economic shock, but hopefully show success in reducing cases and limiting the duration of the shock.

Policy coordination is priority number two

Governments and central banks are following a coordinated, risk management framework to setting policy in an attempt to smooth out the economic risk. However, coordination will mean different things to different countries and institutions.

Central banks are speaking with one voice on the intent to shore up liquidity, credit and confidence, but their actions will differ depending on the starting point. Central banks in Europe, Japan and the UK have far less scope than those in North America to cut interest rates. Instead, they are leaning more heavily on other tools, such as longer-term refinancing options for the most vulnerable sectors of the economy, corporate bond purchases in the event of liquidity strains, and even relaxing counter-cyclical capital buffers among banks in order to free up capital for lending. The Federal Reserve is pursuing similar measures, but has the added advantage of lowering interest rates quite aggressively and with 150 basis points in cuts in March has returned rates to the zero lower bound.

However, given the nature of this economic shock, the success of central banks being proactive would be met with limited success if government policies don't address the supply side shock to prevent it from morphing into a widescale demand side one.

Fiscal policy is a critical component to economic success. Governments within virus-impacted countries are moving quickly to announce financial support to the most vulnerable areas of the economy: small businesses, households and the services sector (tourism and transportation in particular). In many cases, programs set up in the past to deal with natural disasters, such as loan guarantees for businesses and income supports to workers and businesses are being reactivated.

Among the countries that have announced fiscal stimulus to-date, the amounts vary but some are substantial and greater than 1% of GDP (Table 1). All told, targeted fiscal packages should help to shore up confidence and mitigate

Table 2: Countries' Fiscal Response to COVID-19

Country	Fiscal Response	
Australia A$17.6B | 0.9% of GDP	• Support business investment and provide cash flows assistance for businesses	• Support households with cash handouts and help affected regions and communities
Canada C$11B | 0.5% of GDP	• Credit facility program worth C$10B for SMEs • Funding for medical gear, public education, surveillance, monitoring, and access to testing	• Funds for medical research, including funding for vaccine research and clinical trials • Increased federal lending to help struggling businesses access credit
China ¥99.5B | 0.1% of GDP	• Allocation for outbreak relief and cutting unnecessary government expenses • Reduction in corporate taxes	• Tax waiver for overtime income earned by medical workers and offering cash and free transport to workers
Euro Area €113B | 0.9% of GDP	• €37B directed towards healthcare systems, SMEs and labor markets • European Investment Bank (EIB) and European Commission to do €28B in working capital lending	• Investments worth €20B by EIB in SMEs
Germany €553B | 15.5% of GDP	• In the form of loans through the German development bank • Companies allowed to defer taxpayments • Announcement of "no upper limit on the amount of loans"	• Loan terms changed so that the government assumes more risk, while loan applications procedures simplified and speeded up
Hong Kong HK$120B | 4.2% of GDP	• A HK$10,000 one-time cash handout to all permanent residents • Low-interest loans with government guarantees for small businesses	• Reduction in corporate and salary taxes and subsidies for utility bills
Italy €25B | 1.4% of GDP	• Tax credits for companies that reported a 25% drop in revenues • Tax cuts and extra cash for the health system	• Suspension of loan payments (including mortgages) from virus-hit companies, resources for health and emergency services
U.K. £30B | 1.4% of GDP	• £7 Funding for the self-employed, businesses and vulnerable people • £5 emergency response fund for the public healthcare system • Additional spending of £18B to support the economy	• Government to backstop sick pay for small businesses for two weeks • Cash grants for small businesses
U.S. $8.3B | 0.04% of GDP	• R&D for vaccines, treatments and diagnostics • Medical supplies to boost preparedness and community health care	• Funding for centers for disease control and prevention

Source: TD Economics

the negative income impacts. This should help return activity to normal and allow for make-up growth in the second half of the year.

Greater economic disruption if containment fails

It's hard enough being an economist without also having to be an epidemiologist. The main downside risk to the forecast is that the efforts to mitigate the spread of the virus take a greater toll on financial market confidence and carry a longer duration across a broad set of countries. Our baseline forecast is pinned to economic disruptions persisting through April, with the recovery taking hold thereafter. If we're wrong on the period of disruption, then the economic pain will be more severe and likely accompanied with broad job losses. With uncertainty elevated, the recovery in financial and commodity markets could also be stalled, contributing to greater pullbacks in investment and spending. Both the history and the recent experience of China suggest that a long or deep global recession is not the most likely scenario, but it will require the actions of policy to deal deftly with the rapidly changing situation.

And just like any forecast, there could also be some unexpected surprises to the upside in the months ahead. The outlook now incorporates significant monetary and fiscal stimulus. As these measures feed through the economy with lags and linger, it's quite possible that the recovery stage of the economy later this year proves stronger than expected once the weight of containment measures lifts. Only time will be the ultimate judge of success, for now we remain cautious on the outlook and hope for the best.

Global Outlook: Coronavirus Pandemic Brings the Global Economy to a Standstill

- The rapid expansion of COVID-19, first in China and now the rest of the world has prompted a major downward revision to global growth. Due to the economic fallout from the virus, we have revised down our 2020 global growth forecast by 1.3 percentage points (ppt) to just 1.7%, the slowest since the global financial crisis. Global growth at this rate implies several economies in recession in 2020.
- The economic shocks generated by COVID-19 are the side-effects of mandated quarantines and travel bans, as well as voluntary social distancing – people staying home and bunkering down until fear subsides. These are necessary actions to prevent the further spread of the virus but generate negative demand and supply shocks to the economy:
    - Supply shock: factory closures, supply chain disruptions, labor supply constraints
    - Demand shock: drop in tourism, transportation and other services, decrease in consumer and business sentiment
- These shocks are reverberating through the global economy through several channels, including cross-border flows of goods, services, people, skills, financial capital, foreign direct investment, banking and exchange rates.
- As disease-related disruptions end, the return to more normal levels of activity will imply a fillip to economic growth. Assuming the virus can be contained to the first half of this year, economic growth is expected to bounce back in 2021 to 4.0%, 0.7 ppts above our prior forecast.

Rolling disruptions having a domino effect as virus spreads across time and space

- China's drastic containment measures to tackle COVID-19 have been reflected in recent economic data. For the months of January and February, the manufacturing PMI plummeted 17% and retail sales dropped by a 20.5% compared to the same period last year, while the unemployment rate jumped to a record 6.2%.
- The upside is that the number of new reported cases have drastically fallen, factories are re-opening, and people are going back to work, albeit gradually. This too is reflected in the data and can be seen in China's PMI expectations.

Chart 2: Emerging Market Economies are Strongly Linked to China through Supply Chains

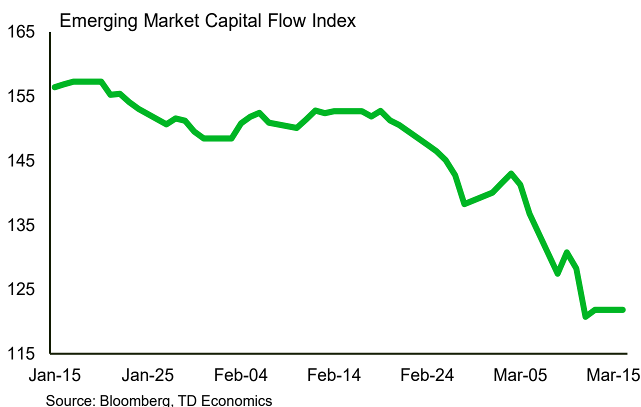
Source: WITS, World Bank, TD Economics

- China's quarantine spread the pain to neighbouring Asian economies via supply chains. Many of them heavily rely on China for intermediate goods, tourism, and transport (Chart 2). Economies in emerging Asia most highly linked to China, such as Vietnam, Malaysia, Thailand, and the Philippines, see significant downward revisions to growth in 2020.
- Like China, some Asian economies such as Hong Kong and Singapore have proven successful in dramatically reducing the number of new cases, but at the cost of considerable declines in economic activity. Tallying the impacts, these disruptions are expected to bring Asia's growth in 2020 to 3.3%, 1.4 ppts below our previous forecast.
- The virus is now fast spreading in Europe. France, Italy, and Spain have imposed a country wide quarantine but are still seeing growth in cases. France, Germany and the United Kingdom have closed schools, encouraged people to work from home, and have taken other social distancing measures aimed at limiting the disease's spread. At the European level, the 26-state Schengen zone has banned all non-essential visits from third countries.
- If China's January and February economic data are any indication, these measures will have severe economic consequences for Europe. Therefore, we have expect growth to contract by -1.6% for the Euro Area. The country most severely hit in 2020 is Italy which is expected shrink by 2.9% in 2020. Other countries such

as France and Spain are not far behind, as they are expected to contract by 1.5% and 2.2%, respectively.

- Elsewhere, oil exporting countries will be particularly hit by the price wars that started as Russia and Saudi Arabia failed to come to an agreement during the OPEC+ meetings. Oil prices were declining due to weakening demand caused by COVID-19, but the price war exacerbates that decline.
    - Countries most severely hit by this double whammy include several oil-exporting emerging market economies (EMEs) in the Middle East and Latin America. For example, Brazil's growth has been revised by 1.2 ppts to 0.8% for 2020. On the other hand, oil importing countries would benefit from the decline in oil prices. However, their ability to benefit from this decline would depend on how severely COVID-19 affects their domestic demand.
- The COVID-19 shock adds to prevailing idiosyncratic weaknesses in several EMEs:
    - Mexico's economy has been facing severe structural challenges resulting in negative growth in five of the last eight quarters. Low oil prices will further put downward pressure on the Mexican economy. We expect Mexico's economy to contract by 0.1% this year.
    - India's economy also continues to disappoint, decelerating into the start of 2020. India depends heavily on China for both demand and supply of inputs and will be impacted similar to other Asian countries from China's slowdown. Meanwhile, accelerating inflation has limited the Reserve Bank of India's ability to help support growth, but lower oil prices may provide some respite and allow policy to become more accommodative.

Chart 3: Emerging Market Economies are Experiencing a Sudden-Stop



Source: Bloomberg, TD Economics

- Finally, recent fears in financial markets have worsened the downside risks to near-term economic growth. EMEs are going through a sudden-stop, as they experience sharp net capital outflows in recent weeks, weakening currencies, tightening financial conditions, and subduing asset prices (Chart 3). However, it is important to keep in mind that flows to EMEs are volatile, and therefore, may flow back at the earliest signs of virus containment. This becomes even more likely given the lose monetary stance of central banks in Europe and North America.

Timely and targeted policy measures are necessary to mitigate economic damage

- The spread of COVID-19 has prompted widespread policy actions. Central banks were first to spring to action. The People's Bank of China (PBOC) acted swiftly, followed by other Asian central banks, and now by European and North American central banks. The uncertainty and headwinds caused by COVID-19 makes it necessary for monetary policy to remain supportive. Declining inflation expectations and a deeply inverted yield curve, alongside widening credit spreads imply a sharp tightening in financial conditions that lower policy rates can only partially mitigate.
- In addition to lower rates, the PBOC, the European Central Bank (ECB), and the Bank of England have taken several targeted monetary policy actions along with macroprudential steps (See Table 3). Major advanced economy (AE) central banks have also enhanced the provision of liquidity via liquidity swap arrangements. However, EMEs – who are facing a severe dollar shortage – were conspicuous by their absence in the AE swap arrangements.
- In terms of fiscal policy, early responses have been directed towards containing the virus, protecting the health care system, containing negative supply shocks, and improving sentiment and demand. However, more and more countries have now announced broader fiscal stimulus packages aimed at supporting growth (see

table on page 3 for more details). Countries' fiscal responses have been broadly of three types; measures targeting aggregate demand (Hong Kong, UK), insurance policies (Canada, Germany), and incentive policies (Australia, China). The European Union (EU) has also relaxed fiscal rules and redirected budget funds, allowing member countries to free up fiscal space.

- The best fiscal measures will be timely, targeted and well communicated. Measures should include income support for households and businesses unable to work or facing a significant drop in sales. The fiscal multiplier of any spending is likely to be low in the current environment. Still, transfers can help mitigate a fall in spending from households without other sources of income or ready access to credit and prevent a rise in defaults that would only deepen and prolong the recession.

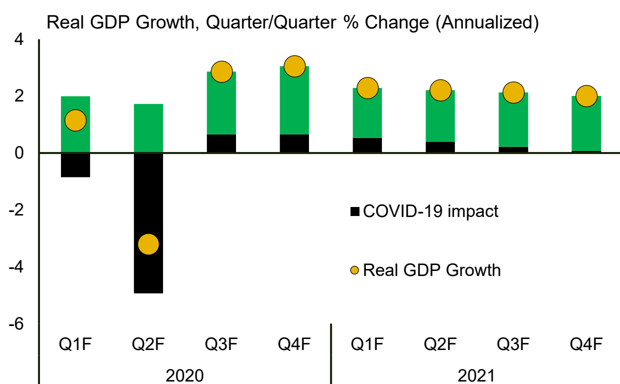
Table 3: Monetary and Regulatory Responses

Country	Actions
Australia	• Benchmark interest rate cut by 25 basis points (bps) to 0.5% • Injection of $5.4B into the repo market
Canada	• Policy interest rate first cut by 50 bps to 1.25% and again cut by an additional 50bps to 0.75% • Market liquidity injections through expansion of the bond buyback program and term repo operations • Cut in domestic stability buffer by 1.25 ppts to 1.00% with no increase in the next 18 months • Funding support for SMEs through Bankers' Acceptance Purchase Facility • CMHC to purchase up to C$50B in mortgage pools via Insured Mortgage Purchase Program
China	• 10 bps drop in interest rates on reverse repurchase agreements and medium-term lending facility loans • 1-year and 5-year loan prime rates cut by 10bps and 5bps, respectively • Net repo injections • Increase in re-lending and re-discounting quotas targeted towards SMEs • Dictating banks to issue loans to SMEs at favorable rates and an extension on loan repayments for certain SMEs • Cut in targeted reserve requirement ratio, releasing $79B into the economy
Euro Area	• Additional longer-term refinancing operations (TLTROs) • More favorable terms applied to the existing TLTRO III and targeted towards SMEs • Additional quantitative easing worth US$134B with an emphasis on private sector debt • Bank temporarily allowed to operate below their mandated capital levels
Japan	• $4.7B in short-term liquidity to banks and increase the purchase of exchange traded funds • Purchase of government bonds worth $1.9B
United Kingdom	• Benchmark interest rates cut by 50bps to 0.25% • Counter Cyclical Capital Buffer moved to 0% • Term funding scheme for SMEs for one year amounting to more than $129B • A freeze on banks' dividends and bonuses
United States	• Target range for the federal fund rate lowered by 50 bps to 1.00% – 1.25% and by another 100 bps to 0.0% – 0.25% • Increase in quantitative easing by $700B ($500 Treasuries and $200 MBSs) • Eliminating reserve requirements for depository institutions • Interest on excess reserves cut by 50 bps to 1.1% • Injection of up to $5.5T to the repo market until April
Coordinated Response by: Canada, England, Euro Area, Japan, Switzerland & United States	• Central banks to enhance the provision of liquidity via the standing U.S. dollar liquidity swap arrangements by lowering the pricing on swap the arrangement by 25 bps and by increasing the maturity of the US dollars offered.

Source: TD Economics

U.S. Outlook: Sideswiped by COVID-19

- The economic outlook has been sideswiped by the COVID-19 pandemic. Financial markets are in a tail-spin as investors try to assess the economic damage. The Fed has stepped in to provide what support it can by cutting interest rates to the floor, expanding asset purchases, and announcing a host of other liquidity measures aimed at restoring market functioning.
- As a result of the sudden stop in economic activity in March and April, we expect growth in the first quarter will be held close to 1% annualized and the second quarter to contract by 3.2%, the biggest drop since the recession (Chart 4).
- Travel and tourism will be hit hardest, with related leisure and hospitality sectors also feeling the pain as sporting and cultural events, conferences and gatherings are cancelled. The hit to revenue will hold back spending at many businesses, with the oil patch likely to see significant retrenchment. Supply chains will also be impacted by global manufacturing shutdowns, but these impacts will be overshadowed by the hit to demand.
- Assuming containment measures are successful in stemming the number of new cases, activity is expected to normalize, and the economy to bounce back in the third quarter. Still, real GDP growth is expected to average just 1.0% for 2020 as a whole, a full percentage point below our previous forecast. The rebound in activity will show up in average growth for 2021, which we now forecast at 2.1%, two tenths faster than our previous forecast. However, a large amount of foregone spending on services will not be recouped.



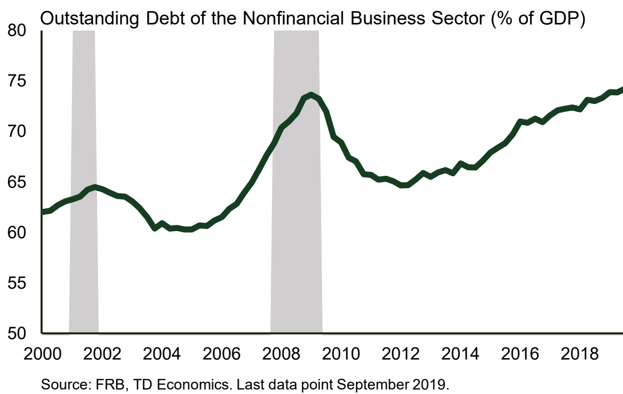
- There is a high degree of uncertainty about how widely the virus will spread domestically, and how long the pandemic will go on. Our forecast assumes a two-month disruption to economic activity due to quarantines and shutdowns. The risk is that the outbreak lasts longer, and exacts a larger toll on the outlook.

An unprecedented shock to household spending will hit in the second quarter

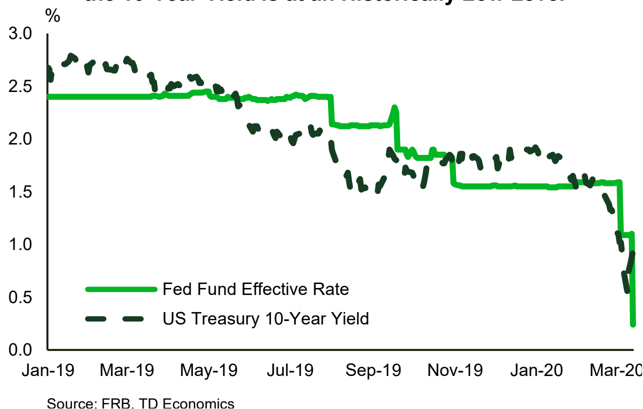
- The consumer came into the COVID-19 shock on a solid footing with strong job growth and a record-low unemployment rate. However, as a result of social distancing, spending is forecast to drop over 4% (annualized) in the second quarter of this year. Once fears of infection subside, spending should be expected to rebound, with growth averaging roughly 3.5% in the second half of the year.
- Lower interest rates and a relatively warm winter saw new home construction roar to life early in the year. However, residential investment is likely to fall in the second quarter, in part as warm weather pulled activity forward, but also as activity is stalled due to the coronavirus. There is also likely to be some short-term hit to the resale housing market in the spring as potential homebuyers hold off on purchases and sellers pull listings. Eventually, lower mortgage rates will support demand in the housing sector, giving support to prices and construction.

A short-lived boost from Phase One trade deal

- Before the coronavirus headlines emerged in January, the big economic story was the Phase One trade deal signed with China (see report). The deal lowered tariffs, and just as important, reduced a key source of business uncertainty.
- Unfortunately, businesses didn't get much of a chance to enjoy it before they had to worry about the impact of virus-related factory shutdowns on global supply chains. The Beige Book and other confidence surveys showed that closures of Chinese factories were a significant concern for American companies. With the virus morphing into a global pandemic, supply constraints will remain an issue, both in terms of the availability of intermediate inputs and in terms of workers who may be unable to come to work due to containment measures.



- Business investment was already expected to be held back by the production shutdown at Boeing in the first half of the year. We expect production there to resume in the second half of the year, which, combined with improved business sentiment should result in a rebound in equipment investment in the second half of the year. The downside risk to this is that the extreme challenges faced by the airline sector continue to weigh on demand for airplanes and restrain production over the medium term.
- In the meantime, the collapse in oil prices is likely to decimate investment in the energy sector. This in large part shows up in structures investment (oil shafts and wells), which we now expect to see sizeable declines in over much of the year.
- The high degree of indebtedness in the nonfinancial sector (Chart 5) could amplify the downside risk to the economy in the event of larger-than-expected weakness in corporate profits. As many industries see their revenues hit, high debt loads could necessitate greater cost-cutting and layoffs than would have otherwise been the case, and is a downside risk to our forecast.



Fed cuts will help, but fiscal support required

- The Federal Reserve acted decisively in the face to the COVID-19 shock and has cut the federal funds rate by 150 basis-point rates to near-zero, with two unscheduled interest rate announcements in March.
- To these traditional policy measures, it has added an additional $700 billion in asset purchases and announced an array of liquidity measures. These are aimed at shoring up confidence in Treasury and mortgage-backed securities (MBS) markets and encouraging the continued flow of credit to households and businesses.
- Our forecasts for Treasury yields are in line with near-zero rates remaining in place for some time (Chart 6). This will trickle through to lower borrowing rates for consumers and businesses. While lower rates will not cure the virus or counteract containment measures, they will help improve debt affordability and should support a rise in spending as life returns to normal.
- As Chair Powell has pointed out, monetary policy is only part of the response to the virus. Indeed, with the Fed having exhausted its traditional policy tools, the time is now for fiscal policy to step into the fray. Washington's first response was an $8.3 billion in emergency spending to combat coronavirus, assisting with local and state responses. The House of Representatives has passed a bill to provide free virus testing and paid sick leave with reimbursement to businesses via a temporary tax credit. This should help mitigate both layoffs in the near-term, and the spread of the virus by incenting individuals to stay at home when ill. Additional initiatives are likely in the weeks ahead, and present an upside risk to our current forecast.
- On the other hand, the failure of government to provide adequate income supports would increase the risk of credit events among businesses, worsening job losses and increasing the likelihood of an extended economic downturn.

U.S. Economic Outlook

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

	2019				2020				2021				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	19	20F	21F	19	20F	21F
Real GDP	3.1	2.0	2.1	2.1	1.1	-3.2	2.9	3.1	2.3	2.2	2.1	2.0	2.3	1.0	2.1	2.3	0.9	2.2
Consumer Expenditure	1.1	4.6	3.1	1.7	1.3	-4.4	3.9	3.2	2.1	2.0	2.0	2.0	2.6	1.1	2.1	2.6	0.9	2.0
Durable Goods	0.3	13.0	8.1	2.6	1.3	-9.4	9.5	6.2	4.7	3.6	3.1	3.3	4.8	2.2	4.1	5.9	1.6	3.7
Business Investment	4.4	-1.0	-2.3	-2.3	-1.2	-5.7	2.8	3.4	3.4	3.3	3.4	3.5	2.1	-1.6	2.7	-0.3	-0.2	3.4
Non-Res. Structures	4.0	-11.1	-9.9	-8.1	-5.7	-10.3	1.7	2.1	2.3	2.2	2.5	2.9	-4.3	-6.6	1.4	-6.5	-3.2	2.5
Equipment & IPP*	4.6	2.1	-0.1	-0.7	0.1	-4.4	3.0	3.7	3.7	3.7	3.7	3.7	4.0	-0.2	3.1	1.4	0.6	3.7
Residential Investment	-1.1	-2.9	4.6	6.1	14.1	-3.5	1.3	2.5	2.3	1.6	1.3	1.3	-1.5	4.5	1.5	1.6	3.4	1.6
Govt. Expenditure	2.9	4.8	1.7	2.6	2.5	3.8	0.9	0.6	0.2	0.3	0.3	0.3	2.3	2.5	0.6	3.0	1.9	0.3
Final Domestic Demand	1.8	3.6	2.2	1.5	1.6	-3.2	3.1	2.7	2.0	1.9	1.8	1.9	2.3	1.1	1.9	2.3	1.0	1.9
Exports	4.2	-5.7	0.9	2.1	-0.6	1.1	4.7	7.3	4.2	3.7	3.8	3.7	0.0	1.2	4.5	0.3	3.1	3.9
Imports	-1.5	0.0	1.8	-8.6	1.3	2.6	3.5	3.7	3.9	3.8	3.8	3.8	1.0	0.0	3.7	-2.2	2.8	3.8
Change in Private Inventories	116.0	69.4	69.4	13.0	-1.1	12.6	-3.7	-6.0	10.0	28.3	45.0	54.4	67.0	0.4	34.4	--	--	--
Final Sales	2.6	3.0	2.1	3.1	1.4	-3.5	3.2	3.1	2.0	1.8	1.8	1.8	2.2	1.3	1.9	2.7	1.0	1.8
International Current Account Balance ($Bn)	-545	-501	-496	-453	-416	-358	-310	-284	-305	-335	-370	-407	-499	-342	-354	--	--	--
% of GDP	-2.6	-2.3	-2.3	-2.1	-1.9	-1.7	-1.4	-1.3	-1.4	-1.5	-1.6	-1.7	-2.3	-1.6	-1.5	--	--	--
Pre-tax Corporate Profits including IVA&CCA	-14.3	16.0	-0.9	-4.9	-5.3	-23.8	22.2	14.9	10.5	6.9	5.6	5.1	-0.9	-3.1	8.5	-1.6	0.3	7.0
% of GDP	9.5	9.8	9.6	9.4	9.3	8.7	9.1	9.3	9.4	9.4	9.5	9.5	9.6	9.1	9.4	--	--	--
GDP Deflator (y/y)	2.0	1.8	1.7	1.6	1.5	1.0	1.0	1.2	1.8	2.4	2.5	2.6	1.8	1.2	2.3	1.6	1.2	2.6
Nominal GDP	3.9	4.7	3.8	3.5	1.7	-2.9	4.8	5.1	5.3	4.9	4.7	4.5	4.1	2.2	4.5	4.0	2.1	4.8
Labor Force	0.6	-0.5	2.4	1.6	0.3	1.3	0.2	0.5	0.5	0.5	0.5	0.5	0.9	0.9	0.5	1.0	0.6	0.5
Employment	1.3	1.1	1.5	1.6	1.3	0.4	0.2	0.5	0.9	0.8	0.7	0.6	1.4	1.0	0.7	1.4	0.6	0.7
Change in Empl. ('000s)	485	425	551	616	491	152	95	209	326	307	267	238	2,042	1,548	991	2,077	947	1,138
Unemployment Rate (%)	3.9	3.6	3.6	3.5	3.5	4.0	3.9	3.8	3.8	3.7	3.7	3.7	3.7	3.8	3.7	--	--	--
Personal Disp. Income	4.9	3.9	3.6	3.0	4.4	1.0	2.4	3.0	5.0	5.1	4.7	4.3	4.3	3.0	4.0	3.9	2.7	4.8
Pers. Savings Rate (%)	8.5	7.8	7.7	7.7	8.4	9.8	9.1	8.5	8.4	8.5	8.5	8.5	7.9	8.9	8.5	--	--	--
Cons. Price Index (y/y)	1.6	1.8	1.8	2.0	1.7	0.3	0.5	0.7	1.9	3.4	3.4	3.3	1.8	0.8	3.0	2.0	0.7	3.3
Core CPI (y/y)	2.1	2.1	2.3	2.3	2.0	1.8	1.5	1.5	1.9	2.4	2.6	2.8	2.2	1.7	2.4	2.3	1.5	2.8
Core PCE Price Index (y/y)	1.6	1.6	1.7	1.6	1.5	1.2	1.1	1.2	1.7	2.1	2.4	2.6	1.6	1.2	2.2	1.6	1.2	2.6
Housing Starts (mns)	1.21	1.26	1.28	1.45	1.45	1.36	1.38	1.39	1.39	1.39	1.38	1.38	1.30	1.39	1.38	--	--	--
Real Output per hour (y/y)**	1.9	2.0	1.6	1.8	1.0	-0.2	0.6	0.8	1.1	2.1	1.8	1.7	1.8	0.5	1.7	1.8	0.8	1.7

F: Forecast by TD Economics as at March 2020

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

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

Interest Rate Outlook

	2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	2.50	2.50	2.00	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	1.00
3-mth T-Bill Rate	2.35	2.08	1.84	0.21	0.15	0.10	0.10	0.10	0.25	0.50	0.75	1.00
2-yr Govt. Bond Yield	2.27	1.75	1.63	0.36	0.45	0.60	0.80	1.00	1.20	1.40	1.60	1.70
5-yr Govt. Bond Yield	2.23	1.76	1.55	0.49	0.55	0.70	0.90	1.10	1.30	1.50	1.70	1.80
10-yr Govt. Bond Yield	2.41	2.00	1.68	0.72	0.70	0.85	1.05	1.25	1.45	1.65	1.85	1.95
30-yr Govt. Bond Yield	2.81	2.52	2.12	1.28	0.95	1.10	1.30	1.50	1.70	1.90	2.10	2.20
10-yr-2-yr Govt Spread	0.14	0.25	0.05	0.36	0.25	0.36	0.25	0.25	0.25	0.25	0.25	0.25

F: Forecast by TD Economics as at March 2020. All forecasts are end-of-period.
Source: Bloomberg, Federal Reserve, TD Economics. *Spot rates as at March 16, 2020 with the exception of policy rate.

Foreign Exchange Outlook

Currency	Exchange rate	2019				2020				2021			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Euro	USD per EUR	1.12	1.14	1.09	1.12	1.09	1.08	1.09	1.10	1.11	1.12	1.13	1.14
UK pound	USD per GBP	1.30	1.27	1.23	1.23	1.21	1.20	1.22	1.24	1.26	1.28	1.30	1.32
Australian dollar	USD per AUD	0.71	0.70	0.68	0.61	0.60	0.58	0.60	0.62	0.64	0.66	0.68	0.70
NZ dollar	USD per NZD	0.68	0.67	0.63	0.60	0.59	0.56	0.58	0.60	0.62	0.64	0.66	0.69
Canadian dollar	CAD per USD	1.34	1.31	1.32	1.40	1.40	1.40	1.38	1.36	1.34	1.32	1.30	1.30
Swiss franc	CHF per USD	1.00	0.98	1.00	0.95	0.94	0.92	0.94	0.96	0.98	1.00	1.00	1.00
Japanese yen	JPY per USD	111	108	108	106	105	102	103	104	104	103	103	102
Chinese renminbi	CNY per USD	6.71	6.87	7.15	6.99	7.00	6.95	6.90	6.85	6.80	6.80	6.80	6.80

F: Forecast by TD Economics as at March 2020. All forecasts are end-of-period.
Source: Bloomberg, Federal Reserve, TD Economics. * Spot rates as at March 16, 2020.

Commodity Price Outlook

	2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, $US/bbl)	55	60	56	57	47	33	38	45	49	50	51	52
Natural Gas ($US/MMBtu)	2.92	2.56	2.38	2.40	1.90	1.85	2.20	2.30	2.40	2.41	2.42	2.44
Gold ($US/troy oz.)	1303	1307	1473	1482	1580	1650	1650	1575	1550	1525	1500	1475
Silver ($US/troy oz.)	15.58	14.91	17.02	17.34	17.00	15.50	15.50	15.47	15.46	15.46	15.45	15.44
Copper (cents/lb)	282	278	263	267	259	240	260	270	262	260	261	263
Nickel ($US/lb)	5.60	5.56	7.05	6.99	5.80	5.75	6.24	6.35	6.69	6.80	7.03	7.26
Aluminum (cents/lb)	84	81	80	80	77	74	78	78	78	78	77	77
Wheat ($US/bu)	7.08	6.36	6.14	6.77	6.60	6.40	6.64	6.74	6.76	6.78	6.79	6.81

F: Forecast by TD Economics as at March 2020. All forecasts are period averages.
Source: Bloomberg, TD Economics, USDA (Haver).

Economic Indicators: G7 & Europe				
		Forecast		
	2018	2019	2020	2021
Real GDP (annual per cent change)				
G7 (30.1%)*	2.0	1.6	0.0	1.9
U.S.	2.9	2.3	1.0	2.1
Japan	0.3	0.7	-1.4	1.1
Euro Area	1.9	1.2	-1.6	2.5
Germany	1.5	0.6	-0.5	2.1
France	1.7	1.3	-1.5	1.9
Italy	0.7	0.3	-2.9	2.0
United Kingdom	1.3	1.4	-0.7	2.4
Canada	2.0	1.6	0.2	2.1
Consumer Price Index (annual per cent change)				
G7	2.1	1.5	0.7	2.3
U.S.	2.4	1.8	0.8	3.0
Japan	1.0	0.5	0.1	1.3
Euro Area	1.8	1.2	0.7	1.3
Germany	2.0	1.3	0.9	1.7
France	2.1	1.3	0.8	1.6
Italy	1.2	0.6	0.0	1.3
United Kingdom	2.5	1.8	1.3	1.9
Canada	2.2	2.0	1.6	1.9
Unemployment Rate (per cent annual averages)				
U.S.	3.9	3.7	3.8	3.7
Japan	2.4	2.4	2.7	2.6
Euro Area	8.2	7.6	7.8	7.7
Germany	5.2	5.0	5.3	5.1
France	9.0	8.5	8.7	8.5
Italy	10.6	10.0	10.6	10.2
United Kingdom	4.0	3.8	4.1	3.9
Canada	5.8	5.7	6.0	6.0

*Share of 2018 world gross domestic product (GDP) at PPP.

Forecast as at March 2020

Source: National statistics agencies, TD Economics.

Global Economic Outlook					
Annual Per Cent Change Unless Otherwise Indicated					
	2018 Share*		Forecast		
Real GDP	**(%)**	**2018**	**2019**	**2020**	**2021**
World	100.0	3.6	2.9	1.7	4.0
North America	18.5	2.8	2.0	0.8	2.1
United States	15.2	2.9	2.3	1.0	2.1
Canada	1.4	2.0	1.6	0.2	2.1
Mexico	1.9	2.1	-0.1	-0.1	2.1
European Union (EU-28)	16.3	2.0	1.4	-1.4	2.5
Euro Area (EU-19)	11.4	1.9	1.2	-1.6	2.5
Germany	3.2	1.5	0.6	-0.5	2.1
France	2.2	1.7	1.3	-1.5	1.9
Italy	1.8	0.7	0.3	-2.9	2.0
United Kingdom	2.2	1.3	1.4	-0.7	2.4
EU accession members	2.6	4.0	3.1	-0.4	2.8
Asia	45.0	5.1	4.5	3.3	5.6
Japan	4.1	0.3	0.7	-1.4	1.1
Asian NIC's	3.4	2.8	1.7	1.2	3.6
Hong Kong	0.4	2.9	-1.2	-2.5	3.8
Korea	1.7	2.7	2.0	1.6	3.8
Singapore	0.4	3.5	0.7	0.8	3.0
Taiwan	0.9	2.7	2.7	2.1	3.6
Russia	3.1	2.2	1.3	1.3	1.9
Australia & New Zealand	1.1	2.8	1.9	1.2	2.5
Emerging Asia	33.2	6.3	5.7	4.3	6.8
ASEAN-5	5.5	5.3	4.8	3.9	5.2
China	18.7	6.8	6.1	4.1	7.3
India**	7.7	6.1	5.2	5.0	6.7
Central/South America	5.6	0.3	-0.2	0.3	2.3
Brazil	2.5	1.3	1.1	0.8	2.4
Other Emerging Markets	13.6	2.5	1.5	2.0	3.6
Other Advanced	1.1	2.6	1.7	1.4	2.2

*Share of world GDP on a purchasing-power-parity (PPP) basis.

Forecast as at March 2020. **Forecast for India refers to fiscal year.

Source: IMF, TD Economics.

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