

# Quarterly Economic Forecast 2025: The Fast and Furious

December 12, 2024

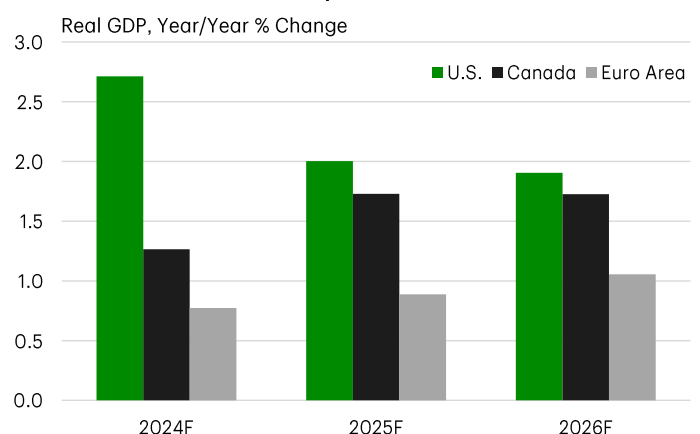
## Highlights

- The 2025 forecasts are written in pencil, given the high policy uncertainty of the new U.S. administration. As we learn more about the policies being implemented, we'll be updating our views accordingly.
- Stronger-than-expected growth momentum would have set the stage for 2025 growth upgrades in both the U.S. and Canada. However, in light of downside policy risks – notably U.S. tariffs – projected growth rates have been kept largely intact relative to September.
- Inheriting a solid economic backdrop, we believe that President-elect Trump will likely have every desire to keep the economy and stock market humming. This suggests some incentive to curb the most extreme policies proposed on the campaign trail, even as he follows through on priorities related to border control and tariffs.
- In Canada – where the likelihood of some degree of tariffs is expected to put a chill on investment – forthcoming fiscal stimulus and a decent pickup in housing activity should provide solid counterbalancing forces.

The global economy succeeded in a “soft landing” in 2024, albeit some countries stuck the landing better than others. To the surprise of many, U.S. equity markets rose at a breakneck speed, and never looked back after President Trump was elected. Expectations that Congress’s red wave would be good for business superseded concerns of renewed tariff wars. Policies will come fast and furious in 2025, be it changes to immigration, regulations, taxes, let alone the overlay of tariffs that will no longer be reserved only as a tool to address trade irritants on goods and services. We suspect analysts will display a wider range of forecasts, as models reflect more judgement to assess a broad swath of new policies.

Fortunately, both the U.S. and Canadian economies are exiting 2024 in a stronger position than expected. As such, both forecasts were set to be revised higher for 2025, but we backed away from this view due to tariff risks, as well as a tightening U.S. labor force. Likewise, areas that could become growth-enhancers, like corporate tax changes, are not incorporated into our forecast in the absence of specific guidance from Congress, which holds the purse

**Chart 1: U.S. Leads the Way, Even As It Slows**



Note: "F" indicates TDE forecast. Source: National Statistical Agencies, TD Economics.

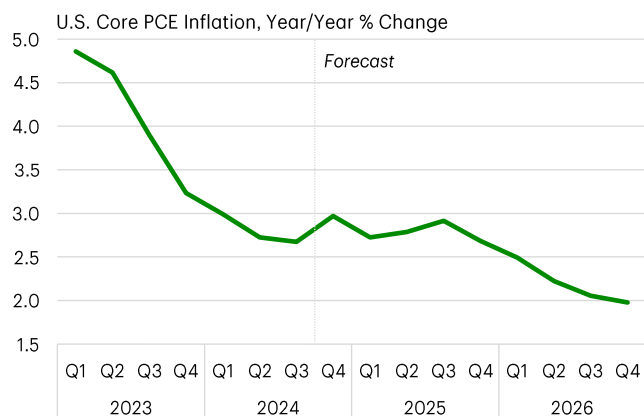
on these decisions. That leaves some upside risk to the U.S. outlook. In the end, the outlook for both countries is little changed despite the potential for significant movement underneath the hood.

Across the pond, Europe’s economic outlook has dimmed relative to last quarter, as the forecasted improvement in the latter half of 2024 has not transpired. Lower inflation has boosted real incomes, but consumers are still reluctant to spend. Now, we are layering on a hit from some U.S. tariffs on European exports. Fiscal policy is also a wildcard in Europe as challenges balancing the budget have toppled the Prime Minister in France. Conversely, Germany’s economic malaise could improve next year if a new government loosens borrowing rules. Overall, the U.S. will remain in the pole position in our forecast, even with slowing momentum (Chart 1).

### U.S. - Over to you, President Trump

The U.S. economy has been the envy of its peers, on track to grow by a healthy 2.7% this year. At the same time, inflation has cooled, and the job market has softened only a smidge. An unemployment rate at 4.2% is bang on the Federal Reserve’s long-run trend estimate. The new administration in Washington has inherited a solid economic backdrop and President-elect Trump will have every desire to keep the economy and stock market humming. This suggests some incentive to curb the most extreme policies proposed on the campaign trail, but there will be follow through on priorities related to border control and tariffs. In isolation (and in its extreme), this risks a stagflationary impulse to the outlook. But a counterbalance would stem from reduced regulation, tax cuts, along with a strong U.S. dollar. We,

Chart 2: Risk of Higher Inflation Presents Challenge for the Fed



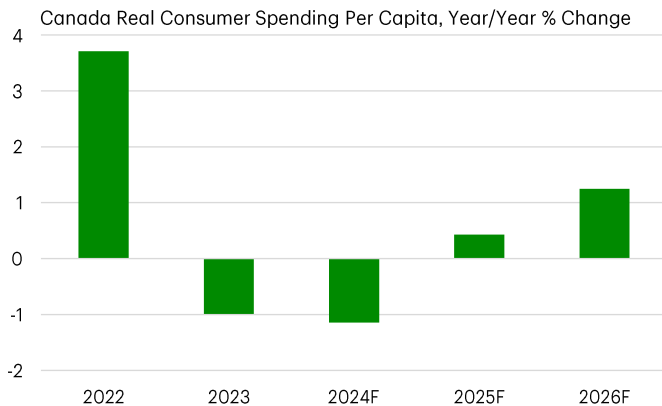
Source: Bureau of Economic Analysis, TD Economics.

along with other forecasters, will be updating views with higher frequency as we learn more about policies that will be implemented. For now, the U.S. economy is forecast to slow to a still solid 2.0% in 2025. This is not due to expectations on GOP policies, but rather a reflection of the natural business cycle path towards normalization. Excluding the pandemic, which was not a market-driven event, the U.S. is amid the longest expansion in history, suggesting at best an economy at mid-cycle. This creates a natural gravitational pull back to its sustainable, trend pace, particularly after sustaining a long period of restrictive interest rates.

Fortunately, the underlying fundamentals of America consumers still look sound. Job gains bounced back in November, after hurricanes and strikes had weighed on hiring in the prior month. But broader labor market indicators are consistent with an ongoing cooling in job market conditions. The duration of unemployment has risen, hiring rates are low and the wage premium associated with switching jobs has come down. Hiring is expected to continue, which should keep decent income growth intact, supporting strong spending (2.5%-3%) in Q4, before slowing to a trend-like pace of 2% in the first half of next year. Consumer spending is set to drift a bit below trend later next year as expected tariffs cause some erosion in household income. Likewise, immigration policy is likely to have become more restrictive at that point, weighing on labor force and employment growth.

Business investment is looking soft in the near term, with equipment spending likely to contract after two-quarters of solid gains. Structures investment is expected to follow suit, as spending in manufacturing spurred by Biden administration incentives will have largely run their course. Higher interest rates in recent months have also slowed activity in the housing sector. We expect residential investment to improve in the second half of next year, and provide a more meaningful lift in 2026.

There is a lot of uncertainty on the growth impacts of policy shifts from Washington, but there is more certainty on how tariffs and restrictive immigration tend to edge up inflation (Chart 2). The Fed’s key inflation gauge is likely to track higher as a result, leading to a more cautious Federal Reserve next year. We expect the Fed to cut rates by a total of 125 basis points between now and the end of 2025, including the upcoming meeting in December.

**Chart 3: Canadian Consumers to Get a Lift Next Year**

Note: "F" indicates TDE forecast. Source: Statistics Canada, TD Economics.

## Canada's economy hit from all sides

Canada's economy had a tough go of it for the past couple of years, with high interest rates weighing heavily on a highly leveraged household. But, the clouds are already parting. Canada's traditional growth-drivers, the consumer and housing, are once again engaged and the source of upside momentum to the economy. Even with an expectation that Canada will absorb some tariffs from the U.S. administration, economic momentum in combination with lower interest rates will help it gain a step to 1.7%, from a tepid 1.3% this year.

Canada's forecast will materially depend on how successful it will be at managing its relationship with the incoming Trump administration. The president-elect has already threatened 25% tariffs on grievances related to border security. Tariffs of this scope would certainly pressure the country towards recession, particularly since the economic ties between the U.S. and Canada have deepened since the USMCA came into effect. Even if only a 10% blanket tariff is imposed on Canada, a period of extended stagnation would be expected over the next two years. Due to the energy-heavy nature of Canada-U.S. trade, we expect Canada will avoid the full 25% tariff, but the constant threat of tariffs could be enough to send a chill through businesses considering investing in domestic capacity. As such, we have pared back the degree of improvement in business investment next year to reflect a negative sentiment penalty. This will place even more emphasis on Canada's domestic drivers related to consumers and housing to carry more weight, which runs the risk of repeating the mistakes of the past in heavily leveraging households.

Several crosswinds are buffeting the consumer. Lower borrowing costs are boosting spending power, but slower population growth in the wake of the Canadian government's immigration policy changes (see [report](#)) will restrain aggregate consumer spending. Putting the pieces together, spending per capita is set to grow after retrenching for much of the past two years. This could reflect a more confident household, particularly as both the Ontario and Canadian governments pump up bank accounts with more fiscal stimulus (Chart 3).

The Bank of Canada has its work cut out for it, balancing all these competing forces as it tries to calibrate interest rates. The Bank has cut rates by 175 basis points since June, and we expect them to cut another 100 basis points to reach our estimate of the "neutral" rate of 2.25%. But the next stage of the process is likely to be slower as the central bank enters a probing phase, testing the level of rates needed to support growth, without adding to inflationary pressures or unhinging household financial risks. If tough rhetoric from the Trump administration and punitive tariffs hurt the Canadian economy more than we expect, the BoC would likely cut interest rates faster and deeper, however we are doubtful those rates would breach 1.50% even in the event of a recession. On the other side of the risk, the consumer is closing out the year with far more resilience than we had expected. When stimulus cheques are piled on, it's just as likely the Bank must be more cautious to the inflationary risks this could present.

Exhibits

Interest Rate Outlook												
Interest Rates	2024				2025				2026			
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
<b>Canada</b>												
Overnight Target Rate	5.00	4.75	4.25	3.25	3.00	2.75	2.50	2.25	2.25	2.25	2.25	2.25
3-mth T-Bill Rate	4.99	4.64	3.96	3.17	2.88	2.63	2.38	2.25	2.25	2.25	2.25	2.25
2-yr Govt. Bond Yield	4.17	3.99	2.91	2.95	2.70	2.50	2.35	2.35	2.35	2.35	2.35	2.35
5-yr Govt. Bond Yield	3.51	3.51	2.73	2.90	2.95	2.85	2.75	2.75	2.75	2.75	2.75	2.75
10-yr Govt. Bond Yield	3.45	3.50	2.95	3.10	3.15	3.05	3.00	3.00	3.00	3.00	3.00	3.00
30-yr Govt. Bond Yield	3.37	3.37	3.14	3.20	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
10-yr-2-yr Govt Spread	-0.72	-0.49	0.04	0.15	0.45	0.55	0.65	0.65	0.65	0.65	0.65	0.65
<b>U.S.</b>												
Fed Funds Target Rate	5.50	5.50	5.00	4.50	4.25	4.00	3.75	3.50	3.25	3.00	3.00	3.00
3-mth T-Bill Rate	5.23	5.22	4.52	4.35	4.05	3.80	3.55	3.30	3.00	2.90	2.90	2.90
2-yr Govt. Bond Yield	4.59	4.71	3.66	4.15	3.90	3.65	3.40	3.15	3.00	3.00	3.00	3.00
5-yr Govt. Bond Yield	4.21	4.33	3.58	4.05	4.00	3.90	3.70	3.55	3.45	3.45	3.45	3.45
10-yr Govt. Bond Yield	4.20	4.36	3.81	4.20	4.15	4.05	3.90	3.75	3.70	3.70	3.70	3.70
30-yr Govt. Bond Yield	4.34	4.51	4.14	4.35	4.35	4.35	4.20	4.05	4.00	4.00	4.00	4.00
10-yr-2-yr Govt Spread	-0.39	-0.35	0.15	0.05	0.25	0.40	0.50	0.60	0.70	0.70	0.70	0.70
<b>Canada - U.S. Spreads</b>												
Can - U.S. T-Bill Spread	-0.24	-0.58	-0.56	-1.18	-1.17	-1.17	-1.17	-1.05	-0.75	-0.65	-0.65	-0.65
Can - U.S. 10-Year Bond Spread	-0.75	-0.86	-0.86	-1.10	-1.00	-1.00	-0.90	-0.75	-0.70	-0.70	-0.70	-0.70

F: Forecast by TD Economics, December 2024. All forecasts are end-of-period.

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

Foreign Exchange Outlook													
Currency	Exchange Rate	2024				2025				2026			
		Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
<b>Exchange Rate to U.S. Dollar</b>													
Euro	USD per EUR	1.08	1.07	1.12	1.06	1.03	1.02	1.04	1.06	1.08	1.10	1.11	1.12
UK Pound	USD per GBP	1.26	1.26	1.34	1.27	1.24	1.22	1.25	1.27	1.30	1.30	1.30	1.30
Japanese Yen	JPY per USD	151.2	160.9	143.3	152.0	151.0	149.5	148.0	146.5	145.8	145.1	144.3	143.6
Chinese Renminbi	CNY per USD	7.22	7.27	7.02	7.25	7.35	7.40	7.35	7.30	7.25	7.20	7.15	7.10
<b>Exchange Rate to Canadian Dollar</b>													
U.S. Dollar	USD per CAD	0.74	0.73	0.74	0.71	0.69	0.69	0.71	0.71	0.72	0.73	0.73	0.74
Euro	CAD per EUR	1.46	1.47	1.51	1.50	1.50	1.47	1.46	1.48	1.50	1.52	1.53	1.53
UK Pound	CAD per GBP	1.71	1.73	1.81	1.80	1.81	1.76	1.76	1.78	1.81	1.79	1.78	1.77
Japanese Yen	JPY per CAD	111.7	117.6	106.0	107.8	103.4	103.8	105.0	104.7	104.9	105.1	105.3	105.6
Chinese Renminbi	CNY per CAD	5.34	5.31	5.19	5.14	5.03	5.14	5.21	5.21	5.21	5.22	5.22	5.22

F: Forecast by TD Economics, December 2024. All forecasts are end-of-period.

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

## Canadian Economic Outlook

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

Economic Indicators	2024				2025				2026				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	24F	25F	26F	24F	25F	26F
Real GDP	2.0	2.2	1.0	1.6	2.0	1.9	1.8	1.7	1.6	1.7	1.8	1.9	1.3	1.7	1.7	1.7	1.8	1.8
Consumer Expenditure	3.1	0.9	3.5	1.9	2.0	2.2	1.8	1.5	1.2	1.2	1.3	1.6	1.9	2.1	1.4	2.4	1.9	1.3
Durable Goods	-1.1	-8.7	11.8	2.0	1.5	1.7	1.5	1.4	1.1	1.0	1.2	1.5	2.5	2.2	1.3	0.7	1.5	1.2
Business Investment	2.8	11.1	-7.7	2.2	2.8	2.7	2.8	2.9	2.7	2.6	2.5	2.3	-1.3	1.8	2.7	1.9	2.8	2.5
Non-Res. Structures	4.4	8.6	0.2	2.0	3.0	3.3	3.2	3.1	2.9	2.7	2.6	2.4	-1.5	2.9	2.9	3.8	3.1	2.6
Equipment & IPP*	1.4	13.5	-14.7	2.4	2.6	2.2	2.4	2.7	2.6	2.5	2.4	2.3	-1.1	0.8	2.5	0.1	2.5	2.4
Residential Investment	-5.8	-7.4	3.0	4.0	4.0	3.7	3.4	3.1	2.9	2.7	2.6	2.4	-1.6	2.9	2.9	-1.7	3.5	2.7
Govt. Expenditure	3.2	4.5	4.8	2.4	2.3	2.2	2.1	2.1	2.0	2.0	2.0	1.9	3.0	2.7	2.0	3.7	2.2	2.0
Final Domestic Demand	2.4	2.3	2.4	2.1	2.2	2.3	2.1	1.9	1.7	1.6	1.7	1.8	1.5	2.2	1.8	2.3	2.1	1.7
Exports	1.5	-5.4	-1.1	3.5	2.5	2.2	2.3	2.3	2.3	2.4	2.4	2.4	0.7	1.6	2.3	-0.4	2.3	2.4
Imports	-1.7	-0.8	-0.4	2.6	2.4	2.1	2.2	2.2	2.3	2.3	2.3	2.4	0.5	1.8	2.3	-0.1	2.3	2.3
Change in Non-Farm Inventories (2012, \$Bn)	16.5	27.8	18.5	14.5	12.8	10.2	8.3	7.3	7.0	7.5	8.5	9.0	19.3	9.6	8.0	--	--	--
Final Sales	4.0	0.6	3.9	2.8	2.5	2.7	2.4	2.0	1.7	1.6	1.5	1.7	1.9	2.6	1.9	2.8	2.4	1.6
International Current Account Balance (\$Bn)	-5.9	-18.8	-12.9	-13.2	-17.1	-17.3	-15.9	-14.7	-13.7	-12.8	-12.0	-11.3	-12.7	-16.2	-12.4	--	--	--
% of GDP	-0.2	-0.6	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.4	-0.5	-0.4	--	--	--
Pre-Tax Corp. Profits	-34.3	9.8	-11.2	2.9	5.6	11.7	4.5	4.3	4.1	4.1	4.2	4.2	-5.7	4.0	4.6	-9.9	6.5	4.2
% of GDP	13.0	13.1	12.6	12.6	12.6	12.8	12.8	12.9	12.9	12.9	12.9	12.9	12.8	12.8	12.9	--	--	--
GDP Deflator (y/y)	3.5	3.9	2.7	1.7	2.4	2.0	2.0	2.2	2.3	2.3	2.2	2.1	3.0	2.2	2.2	1.7	2.2	2.1
Nominal GDP	1.0	6.7	3.4	2.9	3.9	4.2	4.2	4.0	3.9	3.9	4.0	4.0	4.3	3.9	4.0	3.5	4.1	3.9
Labour Force	2.0	4.1	1.7	2.5	1.1	0.2	0.1	0.0	0.0	0.1	0.1	0.2	2.7	1.3	0.1	2.6	0.4	0.1
Employment	1.5	2.4	0.7	1.6	1.5	0.7	0.5	0.5	0.5	0.5	0.5	0.6	1.7	1.1	0.5	1.6	0.8	0.5
Change in Empl. ('000s)	76	120	35	83	79	35	25	25	25	25	27	31	340	234	105	315	163	108
Unemployment Rate (%)	5.9	6.3	6.5	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	6.3	6.5	6.1	--	--	--
Personal Disp. Income	5.5	10.3	9.4	8.1	3.9	3.0	2.3	1.9	2.2	2.5	2.8	3.1	7.5	5.2	2.4	8.3	2.8	2.6
Pers. Savings Rate (%)	4.8	6.2	7.1	8.0	7.9	7.6	7.2	6.8	6.5	6.4	6.2	6.1	6.5	7.3	6.3	--	--	--
Cons. Price Index (y/y)	2.9	2.8	2.0	1.9	2.3	2.3	2.4	2.4	2.2	2.1	2.0	2.0	2.4	2.4	2.1	1.9	2.4	2.0
CPIX (y/y)**	2.2	1.8	1.6	1.5	1.9	2.1	2.2	2.2	2.2	2.1	2.0	2.0	1.8	2.1	2.1	1.5	2.2	2.0
BoC Inflation (y/y)***	3.1	2.8	2.5	2.4	2.4	2.3	2.2	2.1	2.0	2.0	2.0	2.0	2.7	2.2	2.0	2.4	2.1	2.0
Housing Starts ('000s)	245	250	237	231	230	228	228	226	224	225	226	228	241	228	226	--	--	--
Home Prices (y/y)	4.4	-2.8	0.8	6.6	8.3	8.8	8.9	6.1	4.0	3.0	2.7	2.5	2.2	8.0	3.1	6.6	6.1	2.5
Real GDP / Worker (y/y)	-1.0	-0.7	-0.1	0.2	0.1	0.5	0.7	1.0	1.2	1.2	1.2	1.2	-0.4	0.6	1.2	0.2	1.0	1.2

F: Forecast by TD Economics, December 2024.

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

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

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

U.S. Economic Outlook																		
Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated																		
Economic Indicators	2024				2025				2026				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	24F	25F	26F	24F	25F	26F
Real GDP	1.6	3.0	2.8	1.6	1.9	1.8	1.9	2.1	1.8	1.8	1.9	2.1	2.7	2.0	1.9	2.3	1.9	1.9
Consumer Expenditure	1.9	2.8	3.5	2.6	2.1	2.0	1.9	1.8	1.6	1.8	1.9	2.0	2.6	2.4	1.8	2.7	1.9	1.8
Durable Goods	-1.7	5.4	7.6	4.3	0.3	1.6	2.0	2.5	2.8	3.2	3.2	3.2	2.8	2.9	2.7	3.8	1.6	3.1
Business Investment	4.5	3.9	3.8	-0.6	1.4	2.4	3.4	4.1	3.7	3.3	3.0	3.0	3.7	2.1	3.4	2.9	2.8	3.2
Non-Res. Structures	6.2	0.2	-4.7	-1.0	-0.5	2.0	2.0	2.0	2.6	2.5	3.0	3.0	3.3	-0.2	2.4	0.1	1.4	2.8
Equipment & IPP*	4.8	6.4	6.3	-0.4	2.0	2.5	3.7	4.7	3.9	3.5	3.0	3.0	3.6	2.8	3.7	4.2	3.2	3.4
Residential Investment	13.7	-2.8	-5.0	-1.8	-2.1	-1.9	1.6	6.0	7.7	10.0	9.6	8.3	3.7	-1.5	6.7	0.8	0.8	8.9
Govt. Expenditure	1.8	3.0	5.0	1.2	0.7	0.3	0.4	0.2	0.2	0.2	0.2	0.2	3.3	1.3	0.2	2.7	0.4	0.2
Final Domestic Demand	2.7	2.8	3.5	1.8	1.6	1.6	1.8	2.0	1.9	2.0	2.0	2.1	2.9	2.0	1.9	2.7	1.8	2.0
Exports	1.9	1.0	7.5	-1.8	2.9	2.0	2.3	2.9	2.8	2.7	3.0	3.0	2.9	2.2	2.7	2.1	2.5	2.9
Imports	6.1	7.6	10.2	-0.9	2.1	1.5	1.9	2.2	1.7	2.5	2.5	2.5	5.3	2.7	2.1	5.7	1.9	2.3
Change in Private Inventories	17.7	71.7	64.1	53.9	64.8	74.1	73.1	73.3	63.5	53.8	44.1	44.1	51.9	71.3	51.4	--	--	--
Final Sales	2.1	1.9	3.0	1.8	1.7	1.7	1.9	2.1	2.0	2.0	2.1	2.1	2.6	1.9	2.0	2.2	1.8	2.0
Pre-tax Corporate Profits																		
Including IVA&CCA	-6.8	15.2	-1.1	4.8	4.1	-6.6	-21.2	-16.1	11.5	3.9	7.7	8.7	6.9	-2.6	-1.9	2.7	-10.5	7.9
% of GDP	12.9	13.2	13.0	13.0	13.0	12.6	11.7	11.1	11.3	11.3	11.4	11.5	13.0	12.1	11.4	--	--	--
GDP Deflator (y/y)	2.4	2.6	2.2	2.6	2.6	2.7	3.0	2.9	2.8	2.3	2.0	1.9	2.5	2.8	2.2	2.6	2.9	1.9
Nominal GDP	4.7	5.6	4.7	4.6	4.9	5.1	5.0	4.7	4.3	3.0	3.7	4.3	5.2	4.9	4.2	4.9	4.9	3.8
Labor Force	-0.6	0.9	1.6	-0.1	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.5	0.6	0.5
Non-Farm Employment	2.0	1.5	1.1	1.1	1.1	0.7	0.5	0.8	1.0	0.9	0.8	0.7	1.6	1.0	0.8	1.4	0.8	0.9
Change in Non-Farm Empl. ('000s)	771	576	432	436	448	288	203	310	391	370	328	282	2512	1530	1309	2215	1249	1371
Unemployment Rate (%)	3.8	4.0	4.2	4.2	4.2	4.3	4.3	4.3	4.2	4.1	4.0	4.0	4.0	4.3	4.1	--	--	--
Personal Disp. Income	9.2	3.6	2.3	5.2	4.9	4.5	5.0	4.3	4.2	4.0	3.6	4.0	5.4	4.5	4.2	5.0	4.7	3.9
Pers. Savings Rate (%)	5.4	4.9	4.3	4.3	4.3	4.2	4.3	4.3	4.4	4.4	4.4	4.4	4.7	4.3	4.4	--	--	--
Cons. Price Index (y/y)	3.2	3.2	2.6	2.7	2.5	2.5	2.9	2.9	2.8	2.6	2.5	2.4	2.9	2.7	2.6	2.7	2.9	2.4
Core CPI (y/y)	3.8	3.4	3.2	3.3	3.0	3.0	3.2	2.9	2.7	2.5	2.3	2.2	3.4	3.0	2.4	3.3	2.9	2.2
Core PCE Price Index (y/y)	3.0	2.7	2.7	3.0	2.7	2.8	2.9	2.7	2.5	2.2	2.1	2.0	2.8	2.8	2.2	3.0	2.7	2.0
Housing Starts (mns)	1.4	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.5	1.3	1.4	1.5	--	--	--
Real Output per Hour** (y/y)	2.8	2.4	2.0	1.6	1.8	1.7	1.6	1.6	1.5	1.3	1.1	1.1	2.2	1.7	1.2	1.6	1.6	1.1

F: Forecast by TD Economics, December 2024.

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

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

Economic Indicators: G7 & Europe				
	2023	2024F	2025F	2026F
<b>Real GDP (Annual Per Cent Change)</b>				
G7 (42.4%)*	1.9	1.6	1.5	1.5
U.S.	2.9	2.7	2.0	1.9
Japan	1.7	-0.3	1.4	0.9
Euro Area	0.5	0.8	0.9	1.1
Germany	-0.1	-0.1	0.4	1.0
France	1.1	1.1	0.6	1.2
Italy	0.8	0.5	0.7	0.7
United Kingdom	0.3	0.9	1.2	1.3
Canada	1.5	1.3	1.7	1.7
<b>Consumer Price Index (Annual Per Cent Change)</b>				
G7	4.7	2.8	2.0	2.0
U.S.	4.1	2.9	2.7	2.6
Japan	3.3	2.5	1.4	1.6
Euro Area	5.4	2.4	1.9	2.0
Germany	6.0	2.5	2.0	2.0
France	5.7	2.3	1.4	1.9
Italy	5.9	1.1	1.7	1.8
United Kingdom	7.3	2.5	2.3	1.8
Canada	3.9	2.4	2.4	2.1
<b>Unemployment Rate (Per Cent Annual Averages)</b>				
U.S.	3.6	4.0	4.3	4.1
Japan	2.6	2.5	2.3	2.3
Euro Area	6.6	6.5	6.7	6.5
Germany	5.7	6.0	6.1	5.8
France	7.3	7.5	7.3	7.2
Italy	7.7	6.6	6.7	7.2
United Kingdom	4.0	4.3	4.5	4.3
Canada	5.4	6.3	6.5	6.1

F: Forecast by TD Economics, December 2024.  
 \*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	(%)	2024F	2025F	2026F
<b>World</b>	<b>100.0</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>
<b>North America</b>	<b>18.9</b>	<b>2.5</b>	<b>1.9</b>	<b>1.9</b>
United States	15.5	2.7	2.0	1.9
Canada	1.4	1.3	1.7	1.7
Mexico	1.9	1.5	1.4	2.0
<b>European Union (EU-27)</b>	<b>14.9</b>	<b>0.9</b>	<b>1.2</b>	<b>1.3</b>
Euro Area (EU-20)	12.0	0.8	0.9	1.1
Germany	3.3	-0.1	0.4	1.0
France	2.3	1.1	0.6	1.2
Italy	1.9	0.5	0.7	0.7
Other EU Members	2.8	2.1	2.9	2.4
<b>Asia</b>	<b>45.0</b>	<b>4.2</b>	<b>4.3</b>	<b>4.0</b>
Japan	3.8	-0.3	1.4	0.9
Asian NIC's	3.5	3.0	2.4	2.4
Hong Kong	0.3	2.7	2.5	2.6
Korea	1.7	2.2	2.1	2.5
Singapore	0.4	3.9	3.3	2.5
Taiwan	1.0	4.3	2.7	2.3
Russia	2.9	3.5	1.6	1.5
Australia & New Zealand	1.2	1.0	2.1	2.5
Emerging Asia	32.8	5.1	5.2	4.9
ASEAN-5	5.2	5.0	5.0	4.9
China	18.4	4.8	4.6	4.3
India**	7.3	5.9	6.8	6.5
<b>Central/South America</b>	<b>5.4</b>	<b>1.7</b>	<b>2.7</b>	<b>2.4</b>
Brazil	2.3	3.1	2.2	1.9
<b>Other Emerging Markets</b>	<b>12.7</b>	<b>2.5</b>	<b>3.3</b>	<b>3.7</b>
<b>Other Advanced</b>	<b>3.4</b>	<b>1.1</b>	<b>1.4</b>	<b>3.7</b>
United Kingdom	2.3	0.9	1.2	1.3

F: Forecast by TD Economics, December 2024.  
 \* 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	2024				2025				2026			
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, \$US/bbl)	77	81	76	70	70	68	68	72	74	75	77	78
Natural Gas (\$US/MMBtu)	2.23	2.07	2.10	2.80	3.00	3.15	3.15	3.30	3.45	3.50	3.50	3.55
Gold (\$US/troy oz.)	2072	2336	2475	2670	2675	2700	2650	2600	2575	2575	2575	2575
Silver (\$US/troy oz.)	23.37	28.87	29.45	31.75	32.00	32.50	31.50	31.00	30.75	30.75	30.75	30.75
Copper (cents/lb)	383	442	418	420	435	435	440	440	445	445	445	445
Nickel (\$US/lb)	7.52	8.35	7.38	7.35	7.25	7.20	7.15	7.15	7.15	7.15	7.25	7.45
Aluminum (cents/lb)	100	114	108	117	118	120	120	118	115	115	117	117
Wheat (\$US/bu)	5.87	6.04	5.06	5.60	5.60	5.60	5.70	5.70	5.80	5.85	5.90	5.95

F: Forecast by TD Economics, December 2024. All forecasts are period averages.  
 Source: Bloomberg, TD Economics, USDA (Haver).

**For any media enquiries please contact Debra Moris at 416-982-8141**

### **Disclaimer**

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.