

## Quarterly Economic Forecast Just Enjoy the Moment

June 18, 2024

### Highlights

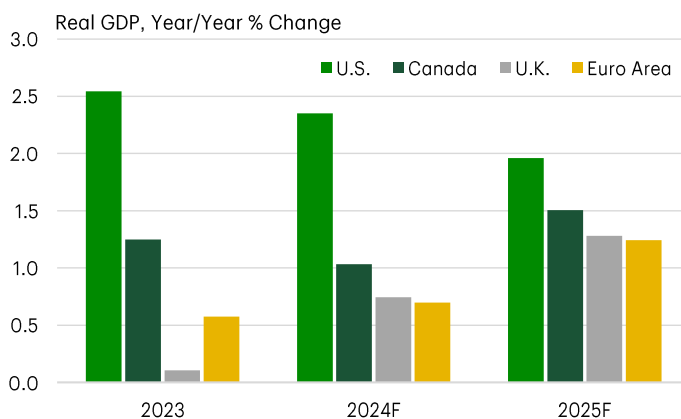
- Global economic momentum gained a step relative to expectations but, even so, the Bank of Canada and European Central Bank began rate-cut cycles, marking the first G7 central banks to do so.
- U.S. exceptionalism will place the Federal Reserve as the last member to sit at this table. Although inflation data for May was better than expected, the central bank will maintain a higher “confidence” threshold given prior head-fakes.
- The Canadian economy will benefit from interest rate relief, but overall economic momentum is forecast to remain subdued as indebted consumers continue to adjust.

“Let’s just enjoy the moment” was Bank of Canada Governor, Tiff Macklem’s, response when questioned about further rate cuts immediately after cutting the policy rate for the first time this cycle. The policymaker clearly wanted to focus on the good news for an economy coping with the highest policy rate in over twenty years. The sentiment applies to the global economic outlook. With inflation broadly coming to heel and no widespread recession, the best-case scenario is unfolding for policymakers for economies that suffered through severe dislocations over the past four years.

The European Central Bank joined the Bank of Canada in reducing interest rates alongside cooling inflation. Eurozone growth had also surprised to the upside in early 2024, albeit from low expectations. Nonetheless, forecast revisions are now leaning toward upgrades, as the prospect of lower interest rates creates some optimism that a floor can be maintained under economic momentum. Over time, this should help narrow the U.S.’s growth advantage (Chart 1). However, the risk of an uptick in inflation from geopolitical tensions or solid domestic labor markets remains ever-present.

China also exceeded forecasters’ expectations in the first quarter, leading to an upgrade to 2024 GDP. With the 5% growth target almost assured, we doubt the government will provide another dose of stimulus beyond the special long-dated bonds already issued. Ultimately, China’s ag-

**Chart 1: U.S. Lead Wanes As Peers Pick Up The Pace**



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

ing demographics and restructuring of the economic drivers will maintain a slowing growth trajectory as the years progress. But for now, global growth is expected to remain steady at 3% this year and next.

Geopolitical risks are top of mind. Not just current conflicts in Ukraine and the middle east, but also the return of broader tariff action in the United States. This would weigh on growth as it has in the past. Government budgets are also an area to watch. With the pandemic expanding spending, the normalization of budget balances remains incomplete, and any abrupt adjustment would present a downside risk to growth.

## U.S. living its best-case scenario

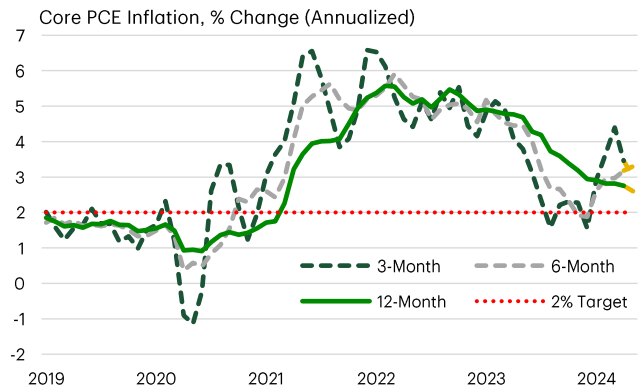
Broadly speaking, our U.S. outlook is unchanged versus last quarter. Economic growth this year is expected to nearly match 2023's pace, at 2.4%. However, this is partly due to a very strong 4% hand-off in the second half of 2023, which has boosted the 2024 average. By the end of this year, we expect growth to slow to 1.7% on a Q4/Q4 basis, as the longevity of higher interest rates create more weight under the normalization of savings and job markets.

One key change made to the forecast relative to last quarter was a reduction in the speed of interest rate cuts, with a total of eight rate cuts by the end of 2025, versus a prior view of eleven. Why the change? Progress on inflation has been slower (Chart 2), the economy has been more resilient and we suspect the neutral interest rate is likely a touch higher due to a shift higher in potential economic growth (for more details see [report](#)).

This might seem at odds with a seemingly slow start in the first quarter, with growth of only 1.3% annualized. However, a drag from net exports and an inventory drawdown obscured a sturdy 2.5% expansion in domestic demand. The details reveal there was less contribution from the consumer than we had expected, but a better showing from business investment. The outlook for business investment, is one of the key upgrades in our forecast with recent indicators showing more momentum on equipment orders and spending on intangible assets.

The pace of consumer spending, however, looks like it's finally bending. Overall household borrowing has slowed dramatically since the Fed started raising rates

**Chart 2: U.S. Inflation Progress Has Slowed In 2024**



Note: Gold endpoints indicate forecast for May 2024.

Source: Bureau of Economic Analysis, TD Economics. Last Observation: April 2024.

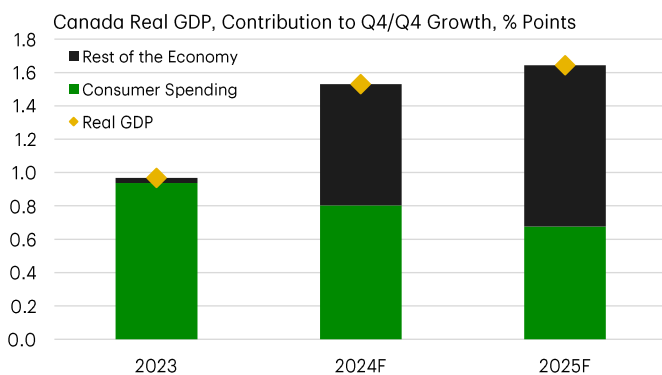
two years ago, and consumer credit growth, running at around 2%, is at its slowest pace outside of a recession. With pandemic-savings cushions largely exhausted, consumers are tightening their belts. Spending on durable goods, which are big ticket items like vehicles and furniture, has also cooled.

However, the job market hasn't quite gotten the memo. Hiring accelerated so far in 2024, enabled by much faster population growth than the official statistics captured, thanks to increased migration (see [details](#)). We have incorporated some of this upswing highlighted by the Congressional Budget Office into our population and payrolls forecasts. That said, hiring looks set to slow with recent data showing employer demand has normalized to pre-pandemic levels (i.e. the job openings rate). That should help turn down the heat on inflation trends in the service sector. However, core inflation on a year-on year basis is expected to remain a bit on the high side of the Fed's comfort level through 2024 due to unfavourable base effects. We suspect the Fed will look through that to form a decision to cut rates at the end of this year (see table).

## Canada's economy set to turn a corner

After recording no growth through much of 2023, Canada's economy staged a modest rebound in the first quarter of 2024. Real GDP advanced by 1.7% on an annualized basis boosted by a second straight quarter of healthy 3% annualized consumer spending. Going forward, we expect the overall Canadian economy to pick up the pace from 2023's weakness. However, the consumer is not likely to be pulling the freight.

**Chart 3: Canada's Economic Uptick Unlikely To Come From The Consumer**



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

Consumer spending is expected to cool for three reasons. First off, even though the Bank of Canada has started to cut interest rates, borrowing costs will remain much higher than the pandemic lows. As we move into 2025, mortgage renewals will be occurring against some of the lowest rates in history five years prior. Meaning, a lower interest rate relative to today, is still a higher interest rate relative to the 2020 and 2021 contracts. Many homeowners will still see their budgets squeezed over the next two years.

Second, some tightening in immigration policy towards the end of this year should help alleviate some of the pressure on consumer spending. The 3% growth in the past two quarters occurred against a record pace in population growth.

Lastly, a softening labour market is also expected to weigh on the pace of spending. Unlike the U.S., Canada's job market is at greater risk of tipping into net losses in the second half of this year. The unemployment rate has already climbed a full percentage point in 12 months, and this would further push it along towards 6.7% by the end of this year. The end result is a more balanced job market to take steam out of wage growth and assist in anchoring inflation towards the 2% target on a sustainable basis.

Given continued progress on inflation, the Bank of Canada is likely to cut rates twice more this year in two quarter-point steps. The economy is soft, but not facing a cliff. This allows the BoC to be cautious or take its time probing the right degree of restrictiveness needed in interest rates.

Our hope is that as the consumer takes a breather, business and housing investment move into the pole position. Lower borrowing costs and stronger capital spending intentions are expected to drive investment over the next couple of years – after contracting in 2023. Solid spending plans by governments in the recent budget season should also lend a helping hand by the end of 2025.

## Exhibits

| Interest Rate Outlook          |       |       |       |       |       |       |       |       |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Interest Rates                 | 2023  |       |       |       | 2024  |       |       |       | 2025  |       |       |       |
|                                | Q1    | Q2    | Q3    | Q4    | Q1    | Q2F   | Q3F   | Q4F   | Q1F   | Q2F   | Q3F   | Q4F   |
| <b>Canada</b>                  |       |       |       |       |       |       |       |       |       |       |       |       |
| Overnight Target Rate          | 4.50  | 4.75  | 5.00  | 5.00  | 5.00  | 4.75  | 4.50  | 4.25  | 3.75  | 3.25  | 3.00  | 2.75  |
| 3-mth T-Bill Rate              | 4.34  | 4.90  | 5.07  | 5.04  | 4.99  | 4.63  | 4.38  | 4.00  | 3.50  | 3.13  | 2.88  | 2.63  |
| 2-yr Govt. Bond Yield          | 3.74  | 4.58  | 4.87  | 3.88  | 4.17  | 3.95  | 3.65  | 3.35  | 3.05  | 2.75  | 2.45  | 2.40  |
| 5-yr Govt. Bond Yield          | 3.02  | 3.68  | 4.25  | 3.17  | 3.51  | 3.45  | 3.45  | 3.25  | 3.05  | 2.90  | 2.75  | 2.65  |
| 10-yr Govt. Bond Yield         | 2.90  | 3.26  | 4.03  | 3.10  | 3.45  | 3.40  | 3.40  | 3.30  | 3.20  | 3.05  | 2.95  | 2.85  |
| 30-yr Govt. Bond Yield         | 3.00  | 3.08  | 3.81  | 3.02  | 3.37  | 3.30  | 3.30  | 3.25  | 3.20  | 3.15  | 3.15  | 3.15  |
| 10-yr-2-yr Govt Spread         | -0.84 | -1.32 | -0.84 | -0.78 | -0.72 | -0.55 | -0.25 | -0.05 | 0.15  | 0.30  | 0.50  | 0.45  |
| <b>U.S.</b>                    |       |       |       |       |       |       |       |       |       |       |       |       |
| Fed Funds Target Rate          | 5.00  | 5.25  | 5.50  | 5.50  | 5.50  | 5.50  | 5.50  | 5.25  | 5.00  | 4.50  | 4.00  | 3.50  |
| 3-mth T-Bill Rate              | 4.68  | 5.17  | 5.32  | 5.20  | 5.23  | 5.25  | 5.25  | 5.05  | 4.65  | 4.15  | 3.65  | 3.15  |
| 2-yr Govt. Bond Yield          | 4.06  | 4.87  | 5.03  | 4.23  | 4.59  | 4.70  | 4.50  | 4.30  | 4.00  | 3.70  | 3.40  | 3.10  |
| 5-yr Govt. Bond Yield          | 3.60  | 4.13  | 4.60  | 3.84  | 4.21  | 4.30  | 4.30  | 4.10  | 3.85  | 3.60  | 3.40  | 3.20  |
| 10-yr Govt. Bond Yield         | 3.48  | 3.81  | 4.59  | 3.88  | 4.20  | 4.30  | 4.30  | 4.15  | 3.95  | 3.75  | 3.60  | 3.45  |
| 30-yr Govt. Bond Yield         | 3.67  | 3.85  | 4.73  | 4.03  | 4.34  | 4.45  | 4.45  | 4.35  | 4.25  | 4.05  | 3.90  | 3.75  |
| 10-yr-2-yr Govt Spread         | -0.58 | -1.06 | -0.44 | -0.35 | -0.39 | -0.40 | -0.20 | -0.15 | -0.05 | 0.05  | 0.20  | 0.35  |
| <b>Canada - U.S. Spreads</b>   |       |       |       |       |       |       |       |       |       |       |       |       |
| Can - U.S. T-Bill Spread       | -0.34 | -0.27 | -0.25 | -0.16 | -0.24 | -0.62 | -0.87 | -1.05 | -1.15 | -1.02 | -0.77 | -0.52 |
| Can - U.S. 10-Year Bond Spread | -0.58 | -0.55 | -0.56 | -0.78 | -0.75 | -0.90 | -0.90 | -0.85 | -0.8  | -0.7  | -0.7  | -0.6  |

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

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

| Foreign Exchange Outlook                |               |       |       |       |       |       |       |       |       |       |       |       |       |
|---|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Currency                                | Exchange Rate | 2023  |       |       |       | 2024  |       |       |       | 2025  |       |       |       |
|   |               | Q1    | Q2    | Q3    | Q4    | Q1    | Q2F   | Q3F   | Q4F   | Q1F   | Q2F   | Q3F   | Q4F   |
| <b>Exchange Rate to U.S. Dollar</b>     |               |       |       |       |       |       |       |       |       |       |       |       |       |
| Euro                                    | USD per EUR   | 1.09  | 1.09  | 1.06  | 1.11  | 1.08  | 1.07  | 1.04  | 1.03  | 1.05  | 1.07  | 1.09  | 1.12  |
| UK Pound                                | USD per GBP   | 1.24  | 1.27  | 1.22  | 1.27  | 1.26  | 1.27  | 1.23  | 1.22  | 1.25  | 1.27  | 1.30  | 1.30  |
| Japanese Yen                            | JPY per USD   | 132.8 | 144.5 | 149.4 | 140.9 | 151.2 | 157.0 | 156.0 | 155.0 | 154.0 | 152.5 | 150.9 | 149.4 |
| Chinese Renminbi                        | CNY per USD   | 6.87  | 7.25  | 7.30  | 7.10  | 7.22  | 7.24  | 7.30  | 7.35  | 7.30  | 7.25  | 7.20  | 7.15  |
| <b>Exchange Rate to Canadian Dollar</b> |               |       |       |       |       |       |       |       |       |       |       |       |       |
| U.S. Dollar                             | USD per CAD   | 0.74  | 0.76  | 0.74  | 0.76  | 0.74  | 0.73  | 0.72  | 0.72  | 0.73  | 0.73  | 0.74  | 0.75  |
| Euro                                    | CAD per EUR   | 1.47  | 1.45  | 1.43  | 1.46  | 1.46  | 1.48  | 1.45  | 1.43  | 1.45  | 1.46  | 1.48  | 1.49  |
| UK Pound                                | CAD per GBP   | 1.67  | 1.68  | 1.65  | 1.68  | 1.71  | 1.75  | 1.72  | 1.70  | 1.72  | 1.73  | 1.75  | 1.74  |
| Japanese Yen                            | JPY per CAD   | 98.2  | 109.2 | 110.4 | 106.7 | 111.7 | 113.8 | 112.2 | 111.5 | 111.9 | 111.9 | 111.8 | 111.5 |
| Chinese Renminbi                        | CNY per CAD   | 5.08  | 5.48  | 5.39  | 5.37  | 5.34  | 5.25  | 5.25  | 5.28  | 5.31  | 5.32  | 5.34  | 5.33  |

F: Forecast by TD Economics, June 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  | 2023  |       |       |       | 2024  |       |       |       | 2025  |       |       |       | Annual Average |       |       | 4th Qtr/4th Qtr |      |     |
|  | Q1    | Q2    | Q3    | Q4    | Q1    | Q2F   | Q3F   | Q4F   | Q1F   | Q2F   | Q3F   | Q4F   | 23             | 24F   | 25F   | 23              | 24F  | 25F |
| Real GDP   | 3.4   | 0.7   | -0.3  | 0.1   | 1.7   | 2.0   | 1.2   | 1.3   | 1.5   | 1.6   | 1.7   | 1.9   | 1.2            | 1.0   | 1.5   | 1.0             | 1.5  | 1.6 |
| Consumer Expenditure   | 2.9   | 0.5   | 0.1   | 3.2   | 3.0   | 0.7   | 1.1   | 0.9   | 1.0   | 1.1   | 1.2   | 1.5   | 1.7            | 1.7   | 1.0   | 1.7             | 1.4  | 1.2 |
| Durable Goods  | 2.1   | -2.6  | 4.4   | 8.7   | 0.4   | -4.0  | 2.0   | 0.9   | 1.0   | 1.1   | 1.2   | 1.3   | 2.1            | 1.6   | 0.8   | 3.1             | -0.2 | 1.2 |
| Business Investment  | 3.3   | 10.8  | -13.9 | -10.4 | 4.5   | 4.3   | 3.5   | 3.5   | 3.3   | 3.4   | 3.3   | 3.3   | -0.5           | -0.8  | 3.5   | -3.1            | 4.0  | 3.3 |
| Non-Res. Structures  | 2.4   | 11.9  | -13.3 | -14.7 | 1.9   | 4.0   | 3.0   | 3.5   | 3.6   | 3.7   | 3.6   | 3.5   | 2.6            | -2.3  | 3.5   | -4.0            | 3.1  | 3.6 |
| Equipment & IPP*   | 4.2   | 9.8   | -14.7 | -5.9  | 7.1   | 4.6   | 4.0   | 3.6   | 3.0   | 3.1   | 3.1   | 3.1   | -3.7           | 0.7   | 3.4   | -2.1            | 4.8  | 3.1 |
| Residential Investment   | -14.2 | -4.1  | 9.8   | -2.3  | 1.3   | -4.0  | 1.5   | 3.5   | 4.5   | 4.1   | 3.7   | 3.4   | -10.3          | 0.4   | 3.1   | -3.1            | 0.5  | 3.9 |
| Govt. Expenditure  | 4.3   | 0.0   | 4.3   | -1.6  | 2.1   | 2.5   | 2.5   | 2.4   | 2.3   | 2.2   | 2.1   | 2.1   | 2.1            | 1.7   | 2.3   | 1.7             | 2.4  | 2.2 |
| Final Domestic Demand  | 1.7   | 1.2   | 0.2   | 0.0   | 2.9   | 1.2   | 1.7   | 1.7   | 1.8   | 1.8   | 1.8   | 1.9   | 0.5            | 1.4   | 1.7   | 0.8             | 1.9  | 1.8 |
| Exports  | 15.6  | 3.1   | -3.2  | 3.2   | 1.9   | 1.8   | 4.0   | 3.5   | 3.3   | 3.2   | 3.1   | 3.0   | 5.4            | 1.9   | 3.3   | 4.5             | 2.8  | 3.2 |
| Imports  | 2.3   | 5.7   | -0.2  | 0.9   | 1.5   | 1.3   | 3.7   | 3.2   | 3.1   | 3.0   | 2.9   | 2.9   | 0.9            | 1.8   | 3.0   | 2.1             | 2.4  | 3.0 |
| Change in Non-Farm Inventories (2012, \$Bn)                              | 40.7  | 35.1  | 43.2  | 40.3  | 30.8  | 31.8  | 28.6  | 26.1  | 24.9  | 23.4  | 22.4  | 21.9  | 39.8           | 29.3  | 23.1  | --              | --   | --  |
| Final Sales  | 4.1   | 1.5   | -1.0  | 0.7   | 4.7   | 0.5   | 2.3   | 2.2   | 2.1   | 2.1   | 2.0   | 2.0   | 1.2            | 1.8   | 2.0   | 1.3             | 2.4  | 2.1 |
| International Current Account Balance (\$Bn)                             | -14.9 | -27.0 | -24.0 | -18.0 | -16.4 | -15.1 | -14.3 | -15.9 | -15.9 | -15.6 | -15.2 | -14.9 | -21.0          | -15.4 | -15.4 | --              | --   | --  |
| % of GDP   | -0.5  | -0.9  | -0.8  | -0.6  | -0.6  | -0.5  | -0.5  | -0.5  | -0.5  | -0.5  | -0.5  | -0.5  | -0.7           | -0.5  | -0.5  | --              | --   | --  |
| Pre-Tax Corp. Profits  | -37.4 | -24.6 | 23.7  | 17.1  | -29.4 | -2.2  | 1.5   | 3.5   | 5.4   | 6.8   | 5.8   | 5.9   | -17.4          | -4.8  | 4.4   | -9.1            | -7.7 | 6.0 |
| % of GDP   | 13.3  | 12.3  | 12.8  | 13.1  | 12.0  | 11.8  | 11.7  | 11.7  | 11.8  | 11.9  | 11.9  | 12.0  | 12.9           | 11.8  | 11.9  | --              | --   | --  |
| GDP Deflator (y/y)   | 2.1   | -0.4  | 1.5   | 3.0   | 3.5   | 3.4   | 2.5   | 1.5   | 2.4   | 2.3   | 2.1   | 2.1   | 1.5            | 2.7   | 2.2   | 3.0             | 1.5  | 2.1 |
| Nominal GDP  | 0.3   | 3.5   | 6.1   | 6.1   | 0.3   | 4.6   | 3.9   | 3.5   | 3.6   | 3.8   | 3.8   | 4.0   | 2.8            | 3.8   | 3.8   | 4.0             | 3.1  | 3.8 |
| Labour Force   | 3.9   | 2.7   | 2.9   | 2.8   | 2.0   | 4.1   | 2.1   | 0.9   | 0.7   | 0.5   | 0.3   | 0.3   | 2.6            | 2.6   | 1.0   | 3.1             | 2.3  | 0.5 |
| Employment   | 3.9   | 1.8   | 1.7   | 1.9   | 1.5   | 2.4   | 0.7   | 0.3   | 0.8   | 0.9   | 0.7   | 0.7   | 2.4            | 1.6   | 0.8   | 2.3             | 1.2  | 0.8 |
| Change in Empl. ('000s)  | 192   | 92    | 85    | 93    | 76    | 120   | 34    | 17    | 41    | 48    | 38    | 38    | 475            | 323   | 165   | 461             | 248  | 164 |
| Unemployment Rate (%)  | 5.1   | 5.3   | 5.5   | 5.8   | 5.9   | 6.3   | 6.6   | 6.7   | 6.7   | 6.6   | 6.5   | 6.4   | 5.4            | 6.3   | 6.6   | --              | --   | --  |
| Personal Disp. Income  | 0.7   | 5.7   | 9.6   | 5.6   | 7.4   | 7.3   | 3.2   | 2.3   | 2.0   | 2.4   | 2.1   | 2.0   | 5.5            | 6.3   | 2.6   | 5.4             | 5.0  | 2.1 |
| Pers. Savings Rate (%)   | 4.5   | 4.9   | 6.5   | 6.2   | 6.9   | 7.9   | 7.8   | 7.6   | 7.4   | 7.2   | 6.9   | 6.6   | 5.5            | 7.5   | 7.0   | --              | --   | --  |
| Cons. Price Index (y/y)  | 5.2   | 3.5   | 3.7   | 3.2   | 2.9   | 2.7   | 2.2   | 2.1   | 2.3   | 2.3   | 2.1   | 2.0   | 3.9            | 2.5   | 2.2   | 3.2             | 2.1  | 2.0 |
| CPIX (y/y)**   | 4.6   | 3.6   | 3.1   | 2.7   | 2.2   | 1.7   | 1.6   | 1.6   | 1.9   | 2.2   | 2.1   | 2.0   | 3.5            | 1.8   | 2.1   | 2.7             | 1.6  | 2.0 |
| BoC Inflation (y/y)***   | 4.9   | 4.0   | 3.8   | 3.6   | 3.2   | 2.6   | 2.5   | 2.4   | 2.3   | 2.2   | 2.1   | 2.0   | 4.1            | 2.6   | 2.1   | 3.6             | 2.4  | 2.0 |
| Housing Starts ('000s)   | 221   | 246   | 256   | 244   | 244   | 239   | 229   | 223   | 223   | 229   | 234   | 239   | 242            | 234   | 231   | --              | --   | --  |
| Home Prices (y/y)  | -17.4 | 0.8   | 3.9   | 3.1   | 4.2   | -3.7  | 0.2   | 3.4   | 4.5   | 5.8   | 6.3   | 6.3   | -3.1           | 0.9   | 5.7   | 3.1             | 3.4  | 6.3 |
| Real GDP / Worker (y/y)  | -0.7  | -0.9  | -1.7  | -1.3  | -1.2  | -1.0  | -0.4  | 0.3   | 0.4   | 0.7   | 0.8   | 0.8   | -1.1           | -0.6  | 0.7   | -1.3            | 0.3  | 0.8 |

F: Forecast by TD Economics, June 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                          | 2023 |      |      |      | 2024 |       |       |       | 2025  |       |       |       | Annual Average |      |       | 4th Qtr/4th Qtr |      |      |
|--|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|----------------|------|-------|-----------------|------|------|
|  | Q1   | Q2   | Q3   | Q4   | Q1   | Q2F   | Q3F   | Q4F   | Q1F   | Q2F   | Q3F   | Q4F   | 23             | 24F  | 25F   | 23              | 24F  | 25F  |
| Real GDP                                     | 2.2  | 2.1  | 4.9  | 3.4  | 1.3  | 1.9   | 1.7   | 1.9   | 2.0   | 2.0   | 2.2   | 2.2   | 2.5            | 2.4  | 2.0   | 3.1             | 1.7  | 2.1  |
| Consumer Expenditure                         | 3.8  | 0.8  | 3.1  | 3.3  | 2.0  | 2.1   | 1.8   | 1.6   | 1.9   | 2.0   | 1.9   | 2.1   | 2.2            | 2.3  | 1.9   | 2.7             | 1.9  | 2.0  |
| Durable Goods                                | 14.0 | -0.3 | 6.7  | 3.2  | -4.1 | 2.2   | 1.6   | 1.2   | 2.9   | 2.5   | 2.5   | 2.7   | 4.2            | 1.0  | 2.2   | 5.8             | 0.2  | 2.6  |
| Business Investment                          | 5.7  | 7.4  | 1.5  | 3.8  | 3.3  | 3.4   | 3.4   | 4.1   | 4.2   | 4.0   | 4.1   | 3.4   | 4.5            | 3.5  | 3.9   | 4.6             | 3.5  | 3.9  |
| Non-Res. Structures                          | 30.3 | 16.1 | 11.2 | 10.9 | 0.4  | -2.0  | 3.0   | 6.0   | 5.0   | 3.0   | 3.0   | 3.0   | 13.2           | 4.7  | 3.7   | 16.9            | 1.8  | 3.5  |
| Equipment & IPP*                             | -0.9 | 5.1  | -1.2 | 1.7  | 4.2  | 5.0   | 3.5   | 3.5   | 4.0   | 4.2   | 4.5   | 3.5   | 2.2            | 3.1  | 4.0   | 1.1             | 4.1  | 4.1  |
| Residential Investment                       | -5.3 | -2.2 | 6.7  | 2.8  | 15.4 | -5.1  | -3.3  | 2.9   | 5.0   | 5.6   | 7.1   | 6.7   | -10.6          | 3.6  | 3.4   | 0.4             | 2.2  | 6.1  |
| Govt. Expenditure                            | 4.8  | 3.3  | 5.8  | 4.6  | 1.3  | 1.5   | 1.3   | 1.0   | 0.7   | 0.4   | 0.4   | 0.4   | 4.1            | 2.6  | 0.8   | 4.6             | 1.3  | 0.5  |
| Final Domestic Demand                        | 3.8  | 2.0  | 3.5  | 3.5  | 2.5  | 1.9   | 1.7   | 1.9   | 2.1   | 2.1   | 2.2   | 2.2   | 2.3            | 2.5  | 2.0   | 3.2             | 2.0  | 2.1  |
| Exports                                      | 6.8  | -9.3 | 5.4  | 5.0  | 1.2  | -0.3  | 2.2   | 3.3   | 3.4   | 3.8   | 3.8   | 3.8   | 2.6            | 1.7  | 3.2   | 1.8             | 1.6  | 3.7  |
| Imports                                      | 1.3  | -7.6 | 4.2  | 2.2  | 7.7  | 5.0   | 3.3   | 3.2   | 3.2   | 3.1   | 3.1   | 3.0   | -1.7           | 3.9  | 3.3   | -0.1            | 4.8  | 3.1  |
| Change in Private Inventories                | 27.2 | 14.9 | 77.8 | 54.9 | 30.9 | 62.4  | 68.5  | 69.6  | 64.0  | 58.4  | 57.1  | 55.8  | 43.7           | 57.9 | 58.8  | --              | --   | --   |
| Final Sales                                  | 4.6  | 2.1  | 3.6  | 3.9  | 1.7  | 1.2   | 1.5   | 1.8   | 2.1   | 2.1   | 2.2   | 2.2   | 2.9            | 2.3  | 2.0   | 3.5             | 1.6  | 2.2  |
| International Current Account Balance (\$Bn) | -851 | -860 | -786 | -779 | -841 | -1002 | -1061 | -1073 | -1080 | -1073 | -1062 | -1049 | -819           | -995 | -1066 | --              | --   | --   |
| % of GDP                                     | -3.2 | -3.2 | -2.8 | -2.8 | -3.0 | -3.5  | -3.7  | -3.7  | -3.7  | -3.6  | -3.5  | -3.4  | -3.0           | -3.5 | -3.6  | --              | --   | --   |
| Pre-tax Corporate Profits Including IVA&CCA  | -9.9 | 0.9  | 14.4 | 17.3 | -2.4 | -2.0  | -3.4  | 1.7   | -1.1  | 0.2   | 1.9   | 1.2   | 1.5            | 3.4  | -0.2  | 5.1             | -1.5 | 0.6  |
| % of GDP                                     | 11.8 | 11.7 | 11.9 | 12.2 | 12.0 | 11.8  | 11.6  | 11.5  | 11.4  | 11.2  | 11.2  | 11.1  | 11.9           | 11.7 | 11.2  | --              | --   | --   |
| GDP Deflator (y/y)                           | 5.3  | 3.5  | 3.2  | 2.6  | 2.4  | 2.7   | 2.5   | 2.7   | 2.5   | 2.4   | 2.3   | 2.3   | 3.6            | 2.6  | 2.4   | 2.6             | 2.7  | 2.3  |
| Nominal GDP                                  | 6.3  | 3.8  | 8.3  | 5.1  | 4.3  | 4.7   | 4.2   | 4.4   | 4.3   | 4.3   | 4.5   | 4.5   | 6.3            | 5.0  | 4.4   | 5.9             | 4.4  | 4.4  |
| Labor Force                                  | 3.9  | 1.4  | 1.9  | 0.4  | -0.6 | 0.7   | 0.9   | 0.8   | 0.8   | 0.8   | 0.7   | 0.7   | 1.7            | 0.6  | 0.8   | 1.9             | 0.5  | 0.7  |
| Employment                                   | 2.4  | 2.0  | 1.7  | 1.6  | 2.0  | 1.8   | 1.4   | 1.0   | 0.9   | 0.9   | 0.9   | 0.9   | 2.3            | 1.7  | 1.0   | 1.9             | 1.6  | 0.9  |
| Change in Empl. ('000s)                      | 899  | 753  | 667  | 617  | 772  | 698   | 551   | 414   | 356   | 360   | 361   | 362   | 3534           | 2659 | 1658  | 2936            | 2435 | 1439 |
| Unemployment Rate (%)                        | 3.5  | 3.6  | 3.7  | 3.8  | 3.8  | 3.9   | 3.9   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   | 3.6            | 3.9  | 4.0   | --              | --   | --   |
| Personal Disp. Income                        | 15.5 | 5.8  | 3.1  | 2.7  | 5.3  | 3.6   | 4.3   | 4.4   | 5.3   | 4.8   | 4.9   | 5.1   | 8.0            | 4.1  | 4.7   | 6.7             | 4.4  | 5.0  |
| Pers. Savings Rate (%)                       | 4.8  | 5.1  | 4.3  | 3.7  | 3.8  | 3.5   | 3.6   | 3.7   | 4.0   | 4.2   | 4.5   | 4.7   | 4.5            | 3.7  | 4.3   | --              | --   | --   |
| Cons. Price Index (y/y)                      | 5.7  | 4.0  | 3.6  | 3.2  | 3.2  | 3.4   | 3.2   | 3.1   | 2.6   | 2.2   | 2.1   | 2.1   | 4.1            | 3.2  | 2.2   | 3.2             | 3.1  | 2.1  |
| Core CPI (y/y)                               | 5.5  | 5.2  | 4.4  | 4.0  | 3.8  | 3.6   | 3.6   | 3.4   | 3.0   | 2.6   | 2.4   | 2.2   | 4.8            | 3.6  | 2.5   | 4.0             | 3.4  | 2.2  |
| Core PCE Price Index (y/y)                   | 4.8  | 4.6  | 3.8  | 3.2  | 2.8  | 2.7   | 2.8   | 2.9   | 2.5   | 2.3   | 2.1   | 2.0   | 4.1            | 2.8  | 2.2   | 3.2             | 2.9  | 2.0  |
| Housing Starts (mns)                         | 1.4  | 1.5  | 1.4  | 1.5  | 1.4  | 1.4   | 1.4   | 1.4   | 1.4   | 1.4   | 1.5   | 1.5   | 1.4            | 1.4  | 1.5   | --              | --   | --   |
| Real Output per Hour** (y/y)                 | -0.5 | 1.3  | 2.4  | 2.7  | 2.8  | 2.2   | 1.4   | 0.9   | 1.3   | 1.4   | 1.6   | 1.7   | 1.5            | 1.8  | 1.5   | 2.7             | 0.9  | 1.7  |

F: Forecast by TD Economics, June 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                     |      |      |       |       |
|--|------|------|-------|-------|
|  | 2022 | 2023 | 2024F | 2025F |
| <b>Real GDP (Annual Per Cent Change)</b>             |      |      |       |       |
| <b>G7 (42.4%)*</b>                                   | 2.3  | 1.7  | 1.5   | 1.6   |
| U.S.   | 1.9  | 2.5  | 2.4   | 2.0   |
| Japan  | 1.0  | 1.8  | 0.4   | 1.2   |
| Euro Area  | 3.5  | 0.6  | 0.7   | 1.2   |
| Germany  | 1.9  | 0.0  | 0.2   | 1.3   |
| France   | 2.6  | 1.1  | 0.9   | 1.3   |
| Italy  | 4.1  | 1.0  | 0.9   | 1.0   |
| United Kingdom                                       | 4.3  | 0.1  | 0.7   | 1.3   |
| Canada   | 3.8  | 1.2  | 1.0   | 1.5   |
| <b>Consumer Price Index (Annual Per Cent Change)</b> |      |      |       |       |
| <b>G7</b>  | 7.3  | 4.7  | 2.8   | 2.1   |
| U.S.   | 8.0  | 4.1  | 3.2   | 2.2   |
| Japan  | 2.5  | 3.3  | 2.2   | 1.6   |
| Euro Area  | 8.4  | 5.4  | 2.5   | 2.1   |
| Germany  | 8.7  | 6.0  | 2.5   | 2.1   |
| France   | 5.9  | 5.7  | 2.6   | 2.0   |
| Italy  | 8.7  | 5.9  | 1.2   | 1.8   |
| United Kingdom                                       | 9.1  | 7.3  | 2.5   | 2.2   |
| Canada   | 6.8  | 3.9  | 2.5   | 2.2   |
| <b>Unemployment Rate (Per Cent Annual Averages)</b>  |      |      |       |       |
| U.S.   | 3.6  | 3.6  | 3.9   | 4.0   |
| Japan  | 2.6  | 2.6  | 2.5   | 2.3   |
| Euro Area  | 6.8  | 6.6  | 6.6   | 6.5   |
| Germany  | 5.3  | 5.7  | 6.0   | 5.7   |
| France   | 7.3  | 7.3  | 7.5   | 7.2   |
| Italy  | 8.1  | 7.7  | 7.5   | 7.9   |
| United Kingdom                                       | 3.9  | 4.0  | 4.6   | 4.7   |
| Canada   | 5.3  | 5.4  | 6.3   | 6.6   |

F: Forecast by TD Economics, June 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  | (%)          | 2023       | 2024F      | 2025F      |
| <b>World</b>                                      | <b>100.0</b> | <b>3.2</b> | <b>3.0</b> | <b>3.0</b> |
| <b>North America</b>                              | <b>18.9</b>  | <b>2.5</b> | <b>2.2</b> | <b>1.9</b> |
| United States                                     | 15.5         | 2.5        | 2.4        | 2.0        |
| Canada  | 1.4          | 1.2        | 1.0        | 1.5        |
| Mexico  | 1.9          | 3.2        | 2.1        | 2.2        |
| <b>European Union (EU-27)</b>                     | <b>14.9</b>  | <b>0.6</b> | <b>0.9</b> | <b>1.6</b> |
| Euro Area (EU-20)                                 | 12.0         | 0.6        | 0.7        | 1.2        |
| Germany   | 3.3          | 0.0        | 0.2        | 1.3        |
| France  | 2.3          | 1.1        | 0.9        | 1.3        |
| Italy   | 1.9          | 1.0        | 0.9        | 1.0        |
| Other EU Members                                  | 2.8          | 0.3        | 2.0        | 3.0        |
| <b>Asia</b>                                       | <b>45.0</b>  | <b>4.8</b> | <b>4.4</b> | <b>4.1</b> |
| Japan   | 3.8          | 1.8        | 0.4        | 1.2        |
| Asian NIC's                                       | 3.5          | 1.5        | 3.0        | 2.0        |
| Hong Kong   | 0.3          | 3.3        | 3.2        | 2.5        |
| Korea   | 1.7          | 1.4        | 2.7        | 2.0        |
| Singapore   | 0.4          | 1.1        | 2.5        | 2.5        |
| Taiwan  | 1.0          | 1.3        | 3.6        | 1.5        |
| Russia  | 2.9          | 3.0        | 2.8        | 1.9        |
| Australia & New Zealand                           | 1.2          | 1.8        | 1.3        | 2.4        |
| Emerging Asia                                     | 32.8         | 5.8        | 5.3        | 4.9        |
| ASEAN-5   | 5.2          | 4.4        | 4.9        | 5.0        |
| China   | 18.4         | 5.2        | 5.0        | 4.3        |
| India**   | 7.3          | 8.2        | 6.5        | 6.5        |
| <b>Central/South America</b>                      | <b>5.4</b>   | <b>1.4</b> | <b>1.1</b> | <b>2.2</b> |
| Brazil  | 2.3          | 2.9        | 1.9        | 2.3        |
| <b>Other Emerging Markets</b>                     | <b>12.7</b>  | <b>3.6</b> | <b>2.6</b> | <b>3.0</b> |
| <b>Other Advanced</b>                             | <b>3.4</b>   | <b>0.4</b> | <b>1.0</b> | <b>1.6</b> |
| United Kingdom                                    | 2.3          | 0.1        | 0.7        | 1.3        |

F: Forecast by TD Economics, June 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                 | 2023  |       |       |       | 2024  |       |       |       | 2025  |       |       |       |
|                           | Q1    | Q2    | Q3    | Q4    | Q1    | Q2F   | Q3F   | Q4F   | Q1F   | Q2F   | Q3F   | Q4F   |
| Crude Oil (WTI, \$US/bbl) | 76    | 74    | 82    | 78    | 77    | 80    | 82    | 80    | 78    | 78    | 78    | 76    |
| Natural Gas (\$US/MMBtu)  | 2.66  | 2.16  | 2.59  | 2.75  | 2.23  | 2.30  | 2.60  | 2.80  | 3.00  | 3.10  | 3.10  | 3.20  |
| Gold (\$US/troy oz.)      | 1889  | 1977  | 1928  | 1977  | 2072  | 2325  | 2350  | 2350  | 2350  | 2325  | 2275  | 2175  |
| Silver (\$US/troy oz.)    | 22.56 | 24.19 | 23.58 | 23.27 | 23.37 | 29.00 | 31.00 | 31.00 | 31.00 | 30.00 | 29.00 | 28.00 |
| Copper (cents/lb)         | 405   | 384   | 379   | 371   | 383   | 440   | 445   | 450   | 445   | 435   | 435   | 430   |
| Nickel (\$US/lb)          | 11.81 | 10.13 | 9.23  | 7.81  | 7.52  | 8.36  | 8.15  | 7.95  | 7.70  | 7.70  | 7.70  | 7.70  |
| Aluminum (cents/lb)       | 109   | 103   | 98    | 99    | 100   | 110   | 108   | 110   | 112   | 112   | 115   | 115   |
| Wheat (\$US/bu)           | 7.32  | 6.50  | 5.76  | 5.89  | 5.87  | 6.10  | 6.30  | 6.20  | 6.00  | 6.00  | 6.00  | 6.00  |

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

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