Global Economic Outlook

# Navigating turbulent waters amid trade uncertainty

Insights on the world's key economies, GDP growth, commodity prices, interest rates and exchange rates

**EDC Economics**
April 2025

Canada

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## Executive summary

# Navigating turbulent waters: Global Economic Outlook amid trade uncertainty

**Stuart Bergman**
**Vice-president and chief economist**

The new U.S. administration swept into office on a wave of promises to reshape global economic and trade relationships, prioritizing America's interests. As a flood of new tariffs and trade measures were announced, altered or paused, global markets, businesses and trade partners have had to ride out the swells and changing currents. With the policy outlook still unclear, exporters are preparing for potential turbulence ahead.

In our spring *Global Economic Outlook (GEO),* EDC Economics accounted for this heightened uncertainty. Our baseline forecast includes the announced 25% tariff on global steel and aluminum imports into the U.S., 25% tariffs on imports from Mexico, an additional 20% of cumulative tariffs against China, and 25% tariffs on Canadian imports (with energy products tariffed at a 10% rate). Retaliatory tariffs from China and Canada are also included, with the assumption that tariffs on Canada and Mexico remain until the end of 2026. Our forecast is based on policy developments before March 7.

With these key considerations accounted for, EDC Economics expects the global economy to grow by 2.6% in 2025 and 3% in 2026. The U.S. economy benefits from supportive domestic economic conditions, including a stable labour market. However, recent data suggests consumer spending is slowing and confidence is wavering due to unpredictable economic policies. Companies are increasingly concerned about tariff changes and the potential repeal of key industrial policies that supported investment plans. Increased volatility and tariffs will cap U.S. economic growth at 1.7% in 2025 and 1.9% in 2026.

The U.S. Federal Reserve has taken a more restrained approach than its peers, given the unique position of the U.S. economy and the inflationary impacts of proposed policies. We expect a modest slowing of the U.S. economy, with only one rate cut forecast, followed by four cuts in 2026.

The Canadian economy entered 2025 stronger than anticipated, but consumer sentiment has slumped since the new U.S. administration took office. Business investment is struggling under trade uncertainty, threatening investment plans. While a surge in exports to avoid tariffs will boost Canada's growth early in the year, the impact of tariffs will offset this throughout 2025. We expect the Canadian economy to grow by 0.8% in 2025 and 1% in 2026.

The Bank of Canada has aggressively cut interest rates, reducing its policy rate by 2.25 percentage points from mid-2024 to March 2025. We forecast three more rate cuts this year to support the economy amid tariffs and higher prices.

The Canadian dollar will face increasing pressure due to divergent interest rate outlooks in Canada and the U.S. and the impact of tariffs. We forecast the loonie to average 0.66 cents per U.S. dollar in 2025, with significant volatility, and 0.68 cents per U.S. dollar in 2026.

Europe's outlook will be impacted by ongoing uncertainty and global economic headwinds. Germany and France will struggle to generate significant growth.

Executive summary

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In France, political disorder will constrain reforms aimed at improving the fiscal and growth outlook. We forecast growth of 0.8% in 2025 and 1.4% in 2026. In Germany, the transition to a sustainable growth model for industry in the wake of lost access to cheap Russian energy continues. We forecast growth of 0.4% in 2025 and 1.2% in 2026, with upside risk from a historic defence and infrastructure spending package.

China faces a challenging outlook with an additional 20% increase in tariffs, on top of those previously levied by the Biden and first Trump administrations. The domestic economy is recovering from the property market downturn and related deflationary impacts. We expect China to grow by 4.7% in 2025 and 4.1% in 2026.

The weak global picture in 2025 will weigh on demand and prices for key commodities. We forecast West Texas Intermediate oil prices to average around US$67 due to soft demand and spare capacity.

**Bottom line: Steering through economic challenges**
Navigating turbulent waters is challenging for all. EDC Economics' *Global Economic Outlook* calls for a choppy few years ahead. Markets, businesses and trading partners must strengthen their resolve, focus on resilience and be prepared to change course to adapt to hazardous conditions.

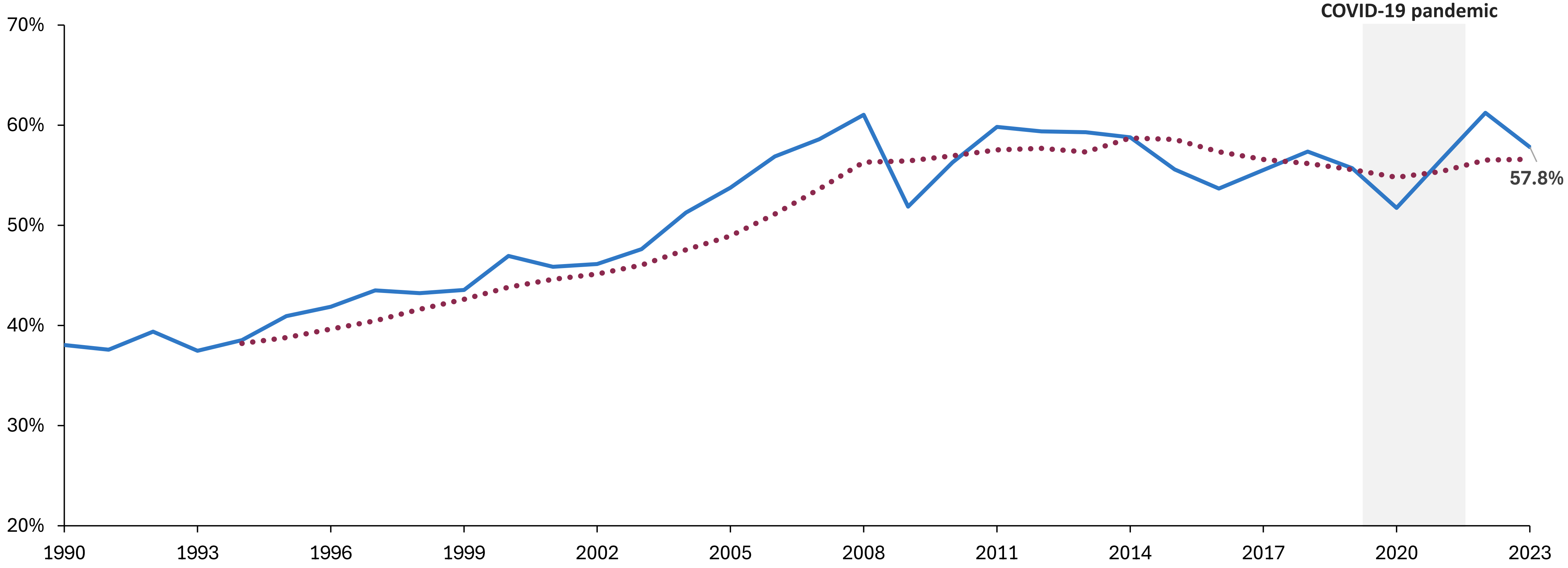
# MACROECONOMIC CONTEXT

# Global trade losing momentum

Global trade has fluctuated recently, with a sharp decline during the pandemic followed by record highs in 2022. However, global trade volumes have since fallen as countries shift towards self-reliance to strengthen domestic industries. In 2023, trade in goods fell by nearly 2%, the sharpest contraction this century outside of a global recession.

## World trade to GDP

Percentage, nominal, five-year moving average





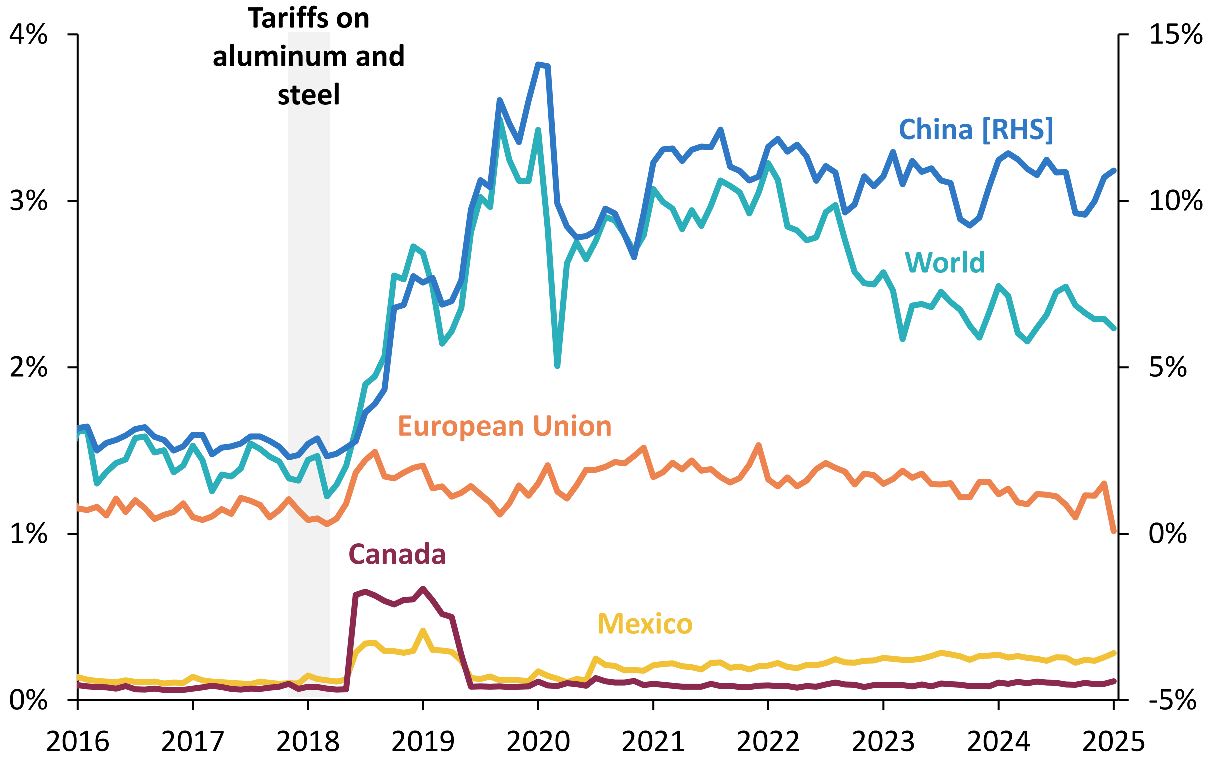

Sources: World Bank & EDC

# U.S. tariffs cloud the global outlook

The U.S. has implemented and continues to threaten increased tariffs, disrupting global trade flows and outlooks. Canada, Mexico and the European Union are the most exposed due to their close economic ties and established trade relations. The tariff uncertainty is also affecting the U.S., with consumer confidence falling to multi-year lows and inflation expectations for next year skyrocketing.

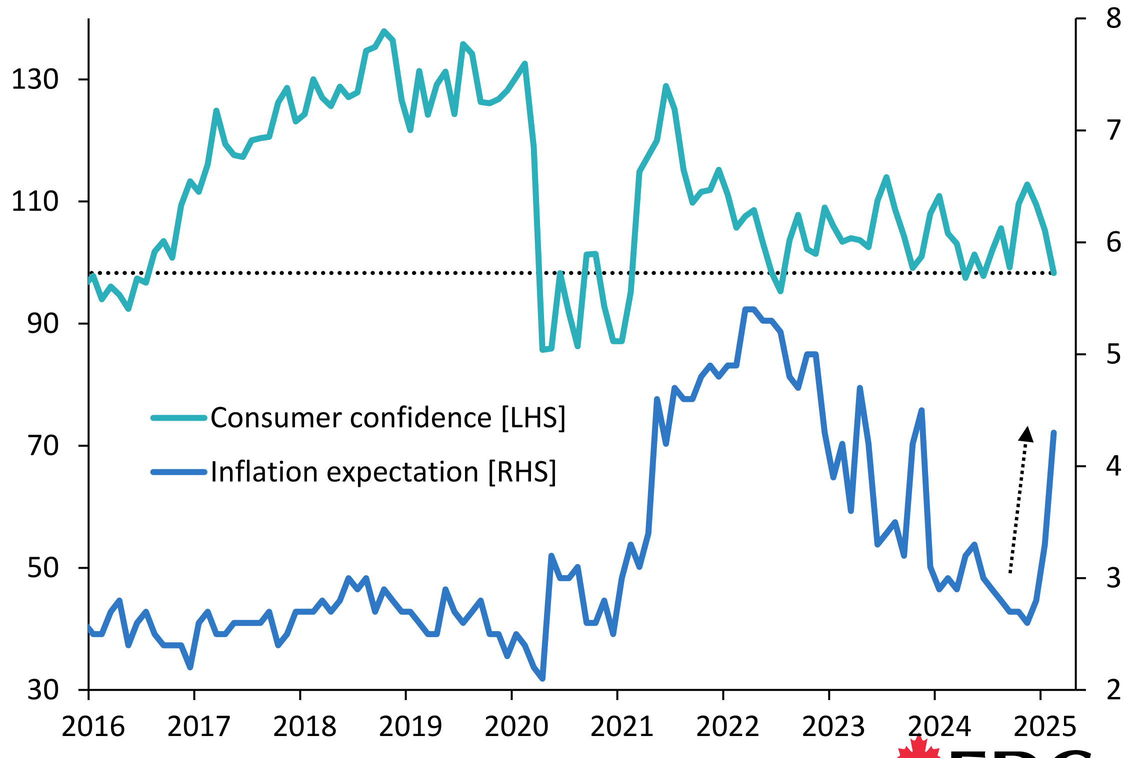
## U.S. import duties paid on products from select countries

Share of total U.S. monthly imports attributed to import duties




## U.S. confidence drops and inflation expectations soar

LHS: Index (1985=100) | RHS: Expected inflation rate (%) next year





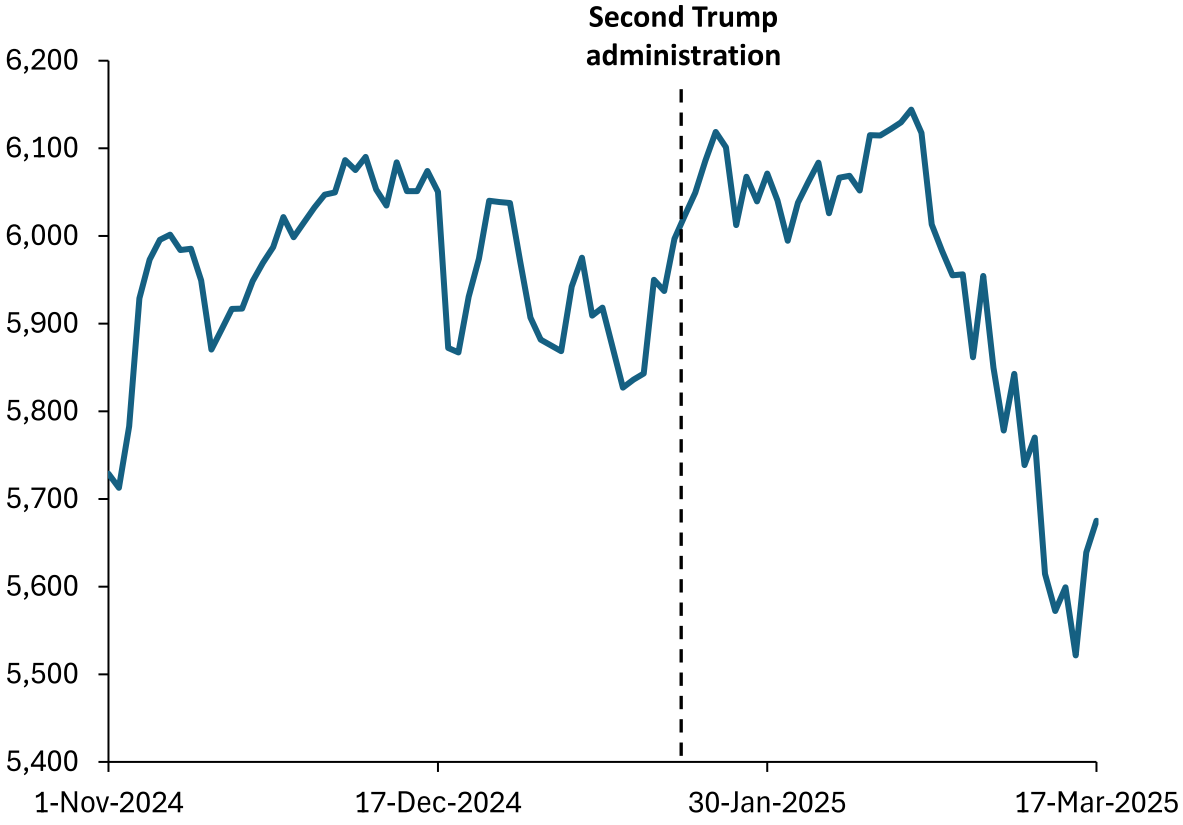

Source: Haver Analytics, Census Bureau and University of Michigan

# Markets swing as uncertainty builds, undermining planning

While many factors, including bouts of irrational exuberance, can affect company valuations, markets and companies prefer certainty for planning and investments. With the U.S. administration's tariff plans in constant flux during its early months in office, certainty has been scarce.

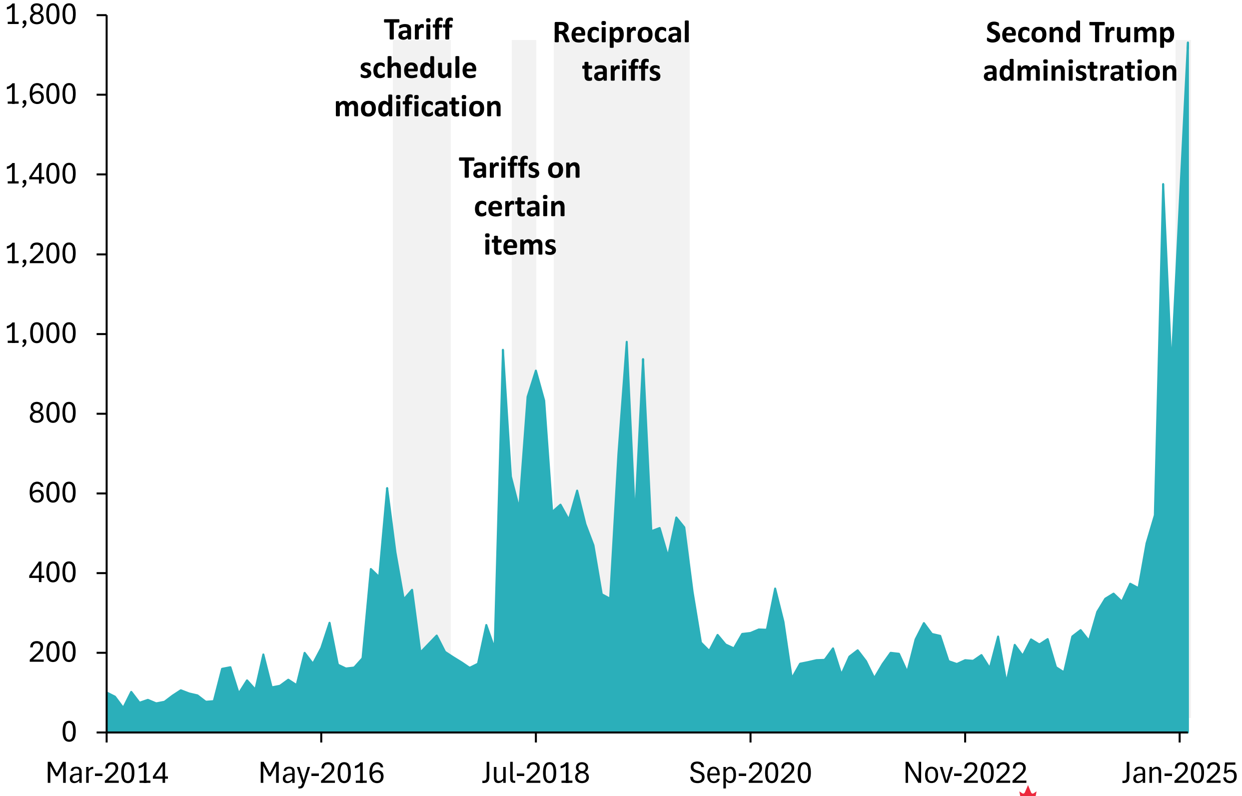
## A rocky ride for the S&P 500

Price index




## Uncertainty at an all-time high amid tariff announcements

Normalized U.S. Trade Policy Uncertainty Index




 Source: Haver Analytics, Federal Register, United States International Trade Commission

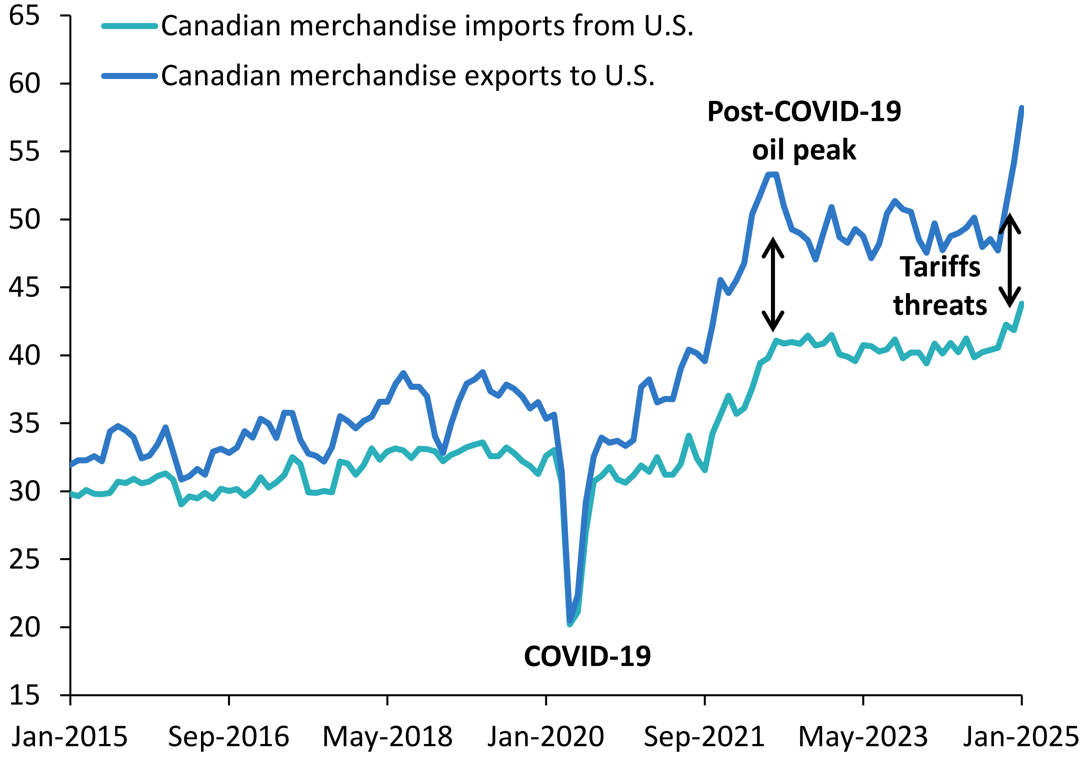
Note: Tariff schedule modification: U.S. presidential proclamation to modify the harmonized tariff schedule.
Tariffs on certain items, washing machines, solar cells and photovoltaic generators. Reciprocal tariffs and Section 232 actions.

# Tariff uncertainty drives Canadian exports to rush for the border

Over the past decade, Canada's trade relationship with the U.S. has been reasonably balanced, with large merchandise trade surpluses (driven by U.S. demand for Canadian energy products) counterbalanced by significant services trade deficits as Canadian travellers flocked to the U.S. However, the looming threat of U.S. tariffs has disrupted this balance. At the end of 2024 and the start of 2025, Canadian exporters rushed to ship and stockpile goods to the U.S. before tariffs took effect, and the number of visitors from Canada to the U.S. has declined compared to a year earlier.

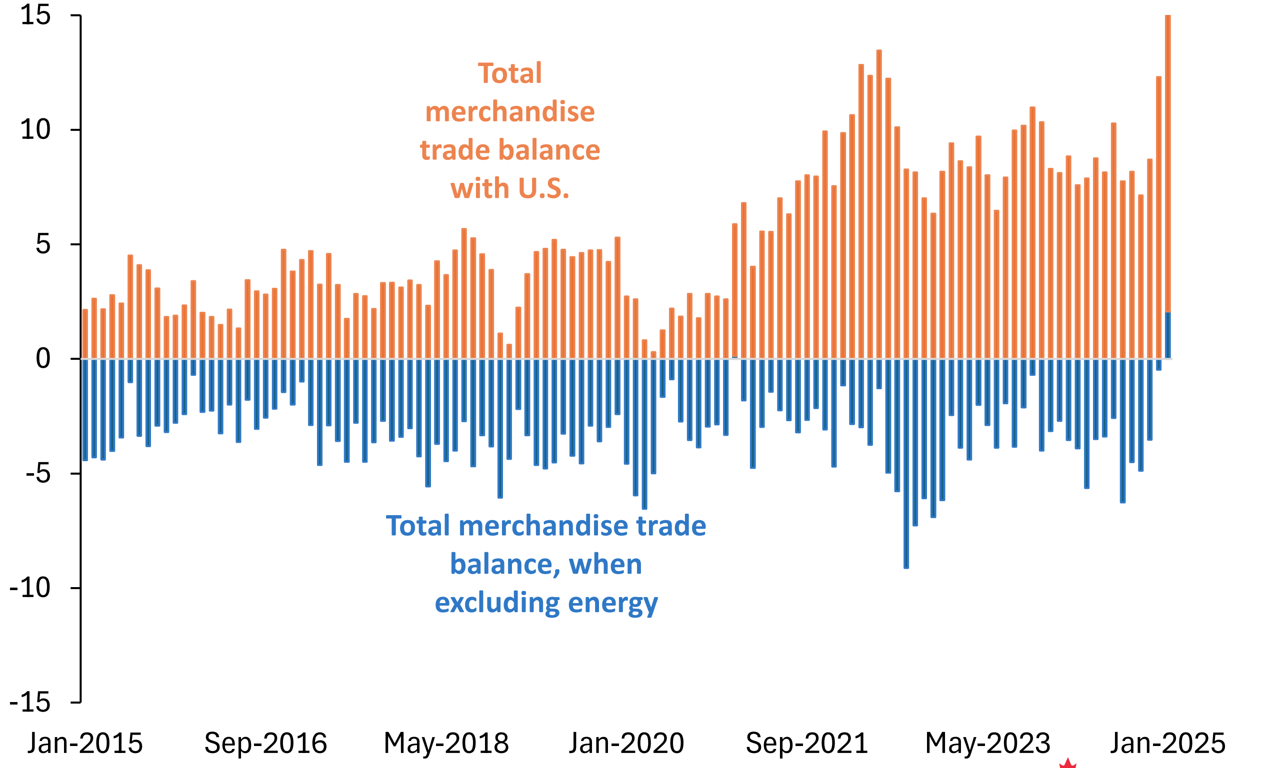
## Canada-U.S. monthly merchandise trade balance

In billions of Canadian dollars, seasonally adjusted




## Canadian merchandise trade surplus with the U.S. over 10 years

In billions of Canadian dollars, seasonally adjusted





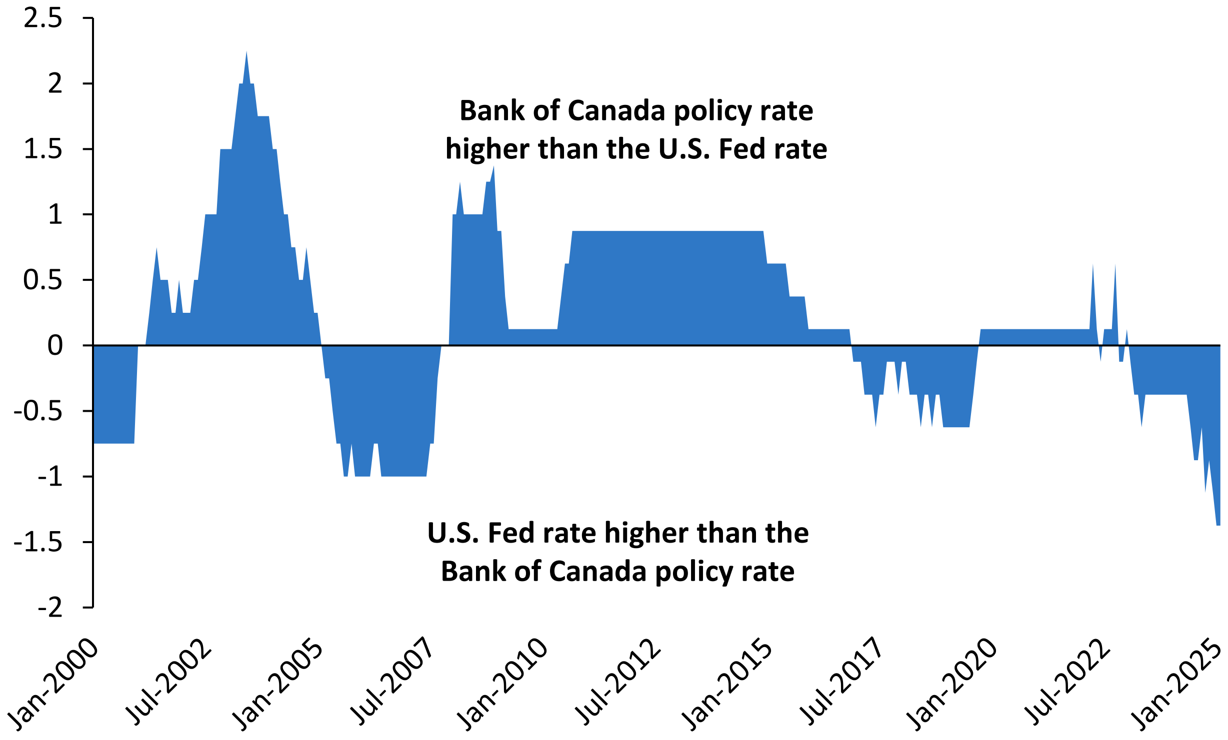

Sources: Statistics Canada/Haver Analytics

# Difference between central bank rates in Canada and U.S. swells

Starting in June 2024, the Bank of Canada became the first major central bank to cut rates. Since then, it's moved aggressively, cutting rates multiple times to 2.75% as the economy showed signs of slowing. In contrast, the Federal Reserve has been slower to act, holding its policy rate at 4.33%. This policy divergence has affected the markets, widening the spread between U.S. and Canadian bonds. U.S. bonds consistently yield more, increasing the cost of debt in the U.S.

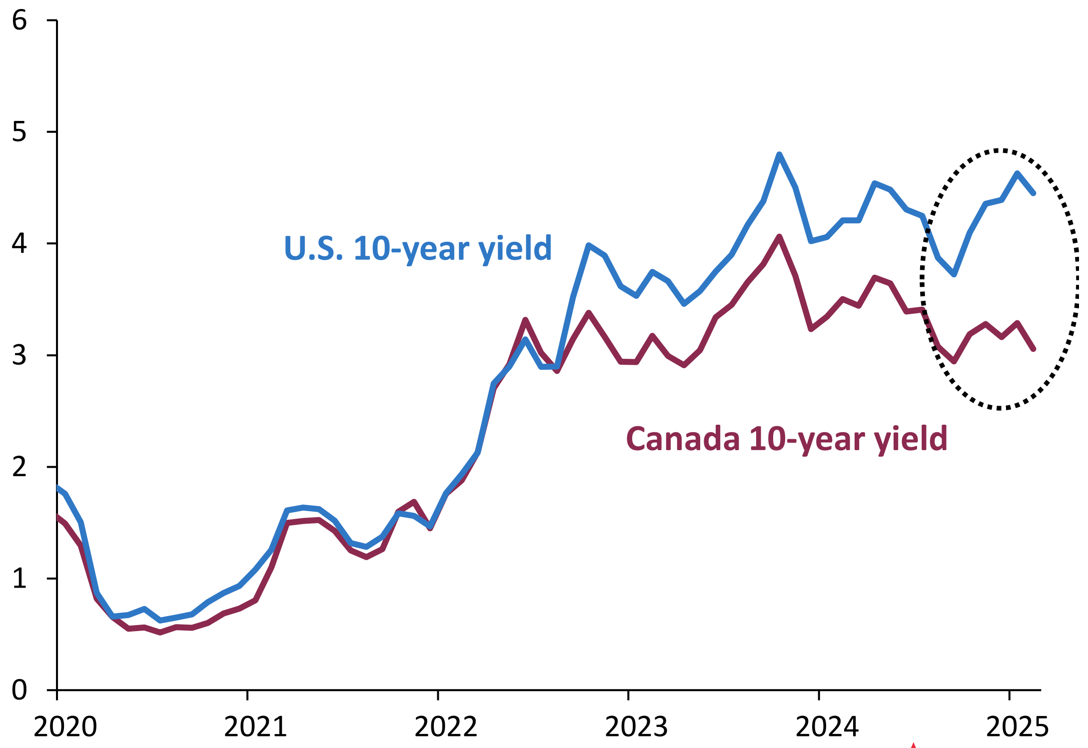
## U.S. and Canada central bank divergence

Percentage, Canada minus U.S. monetary interest rate




## Bond yields widen as policy paths diverge

Percentage, average monthly (daily)



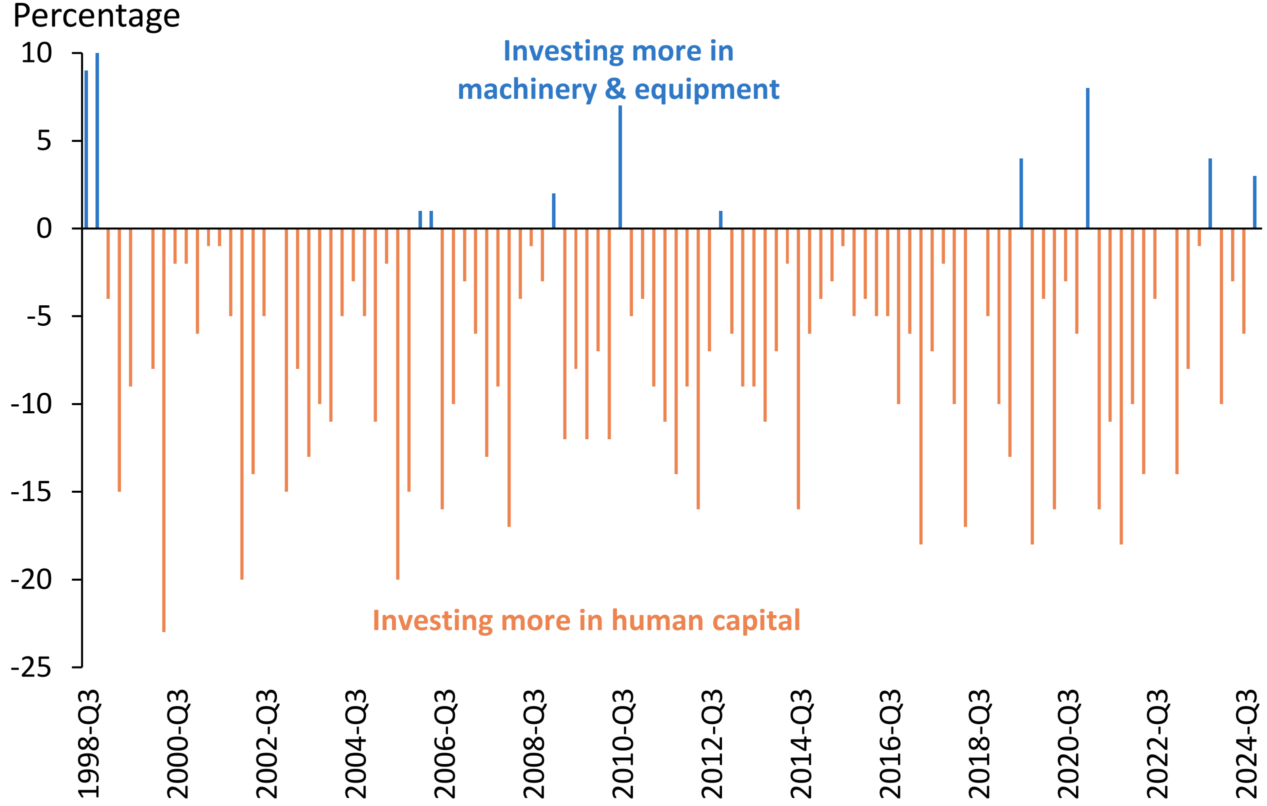



Source: Haver Analytics

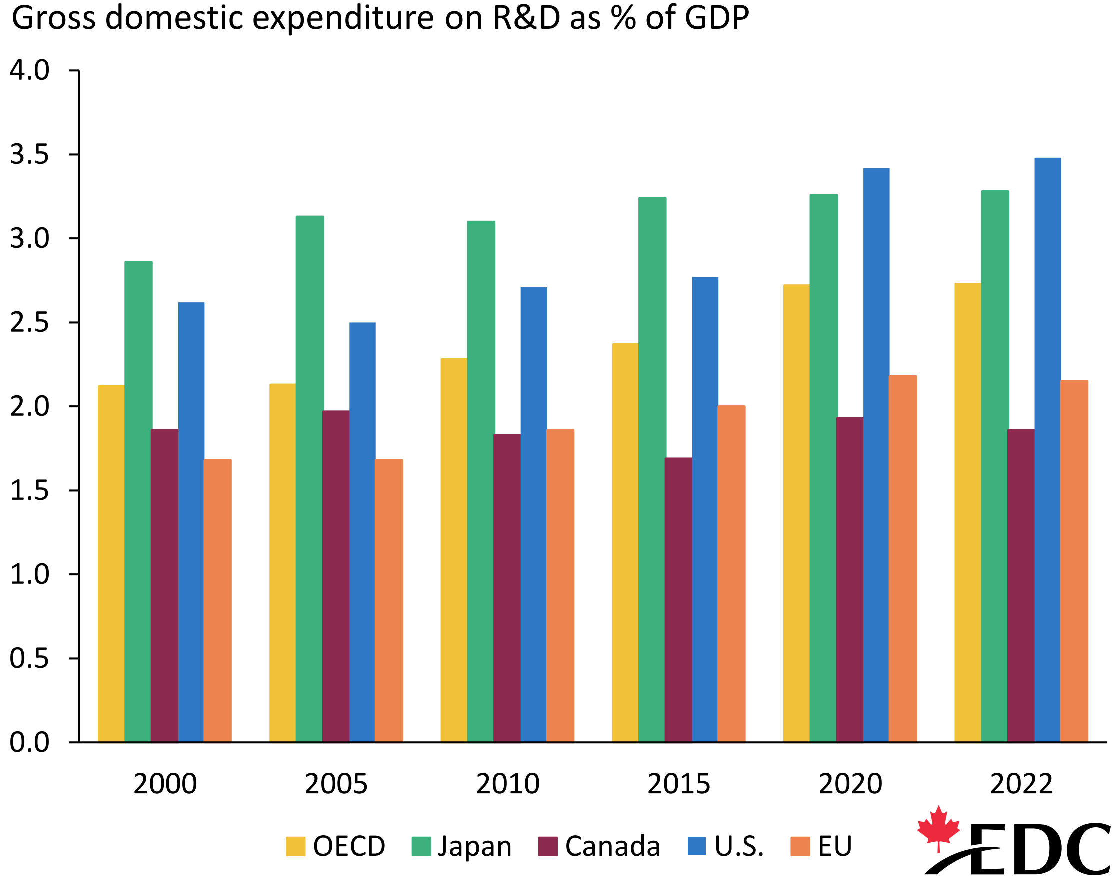
# Canadian productivity struggles with M&E investment as an opportunity

Over the past 26 years, Canadian businesses have consistently prioritized hiring over investing in machinery and equipment (M&E). According to the Bank of Canada, in only 11 out of the past 106 quarters have businesses planned to invest more in M&E than in hiring. This lack of M&E investment could be a key contributor to Canada's productivity struggles compared to OECD peers. Additional M&E investment could close the productivity gap with the U.S. and improve the overall outlook for the Canadian economy.

## Canadian businesses investment plans




## Canada's productivity lags OECD peers

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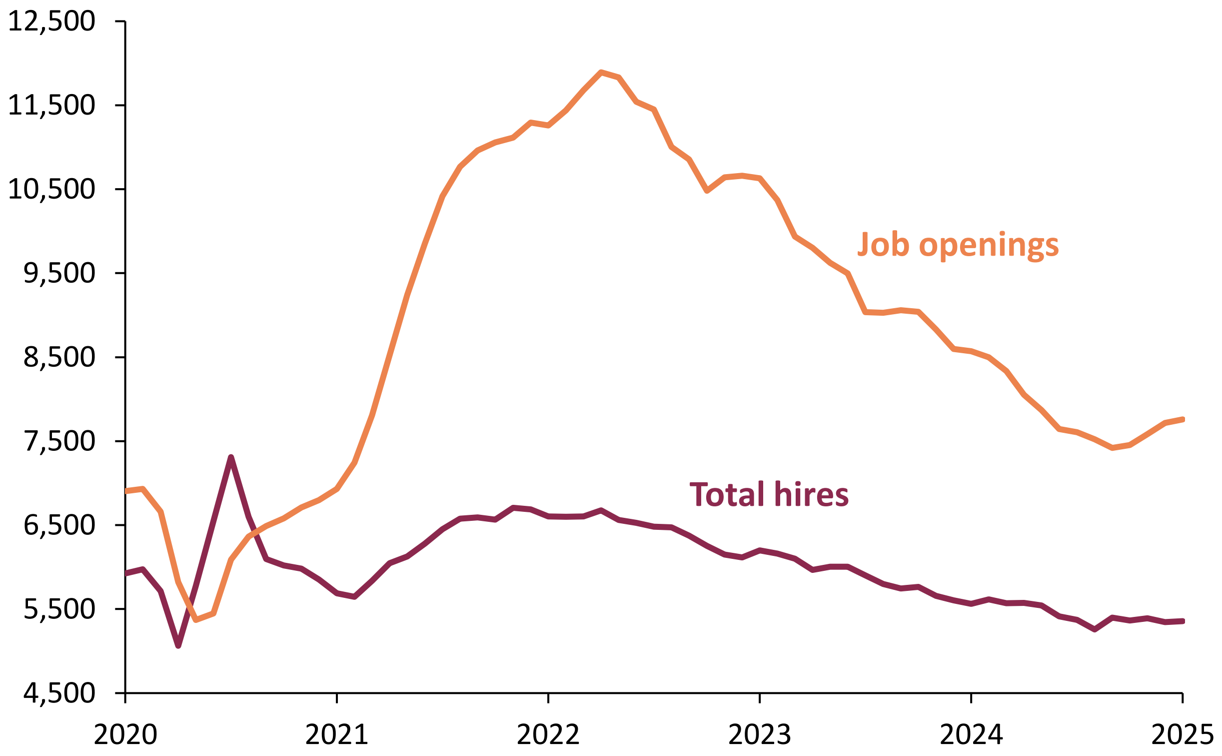
Sources: Bank of Canada/Haver Analytics, Bank of Canada, Federal Reserve Board/Haver Analytics
(*) Canada is the overnight rate, U.S. is the federal funds rate.

# U.S. job market cools. Is consumer spending next?

The U.S. economy is showing signs of softening, with both hiring activity and consumer confidence deteriorating. The labour market is losing momentum, as job openings and hiring steadily decline from their 2022 peak. Consumer confidence has fallen, reflecting heightened concerns about job security, inflation, and broader economic uncertainty. Historically, weakening sentiment precedes declines in household spending. In line with this, U.S. consumer spending posted its first decline in two years, falling 0.2% in January. If these trends persist, the risk of a broader economic slowdown will intensify.

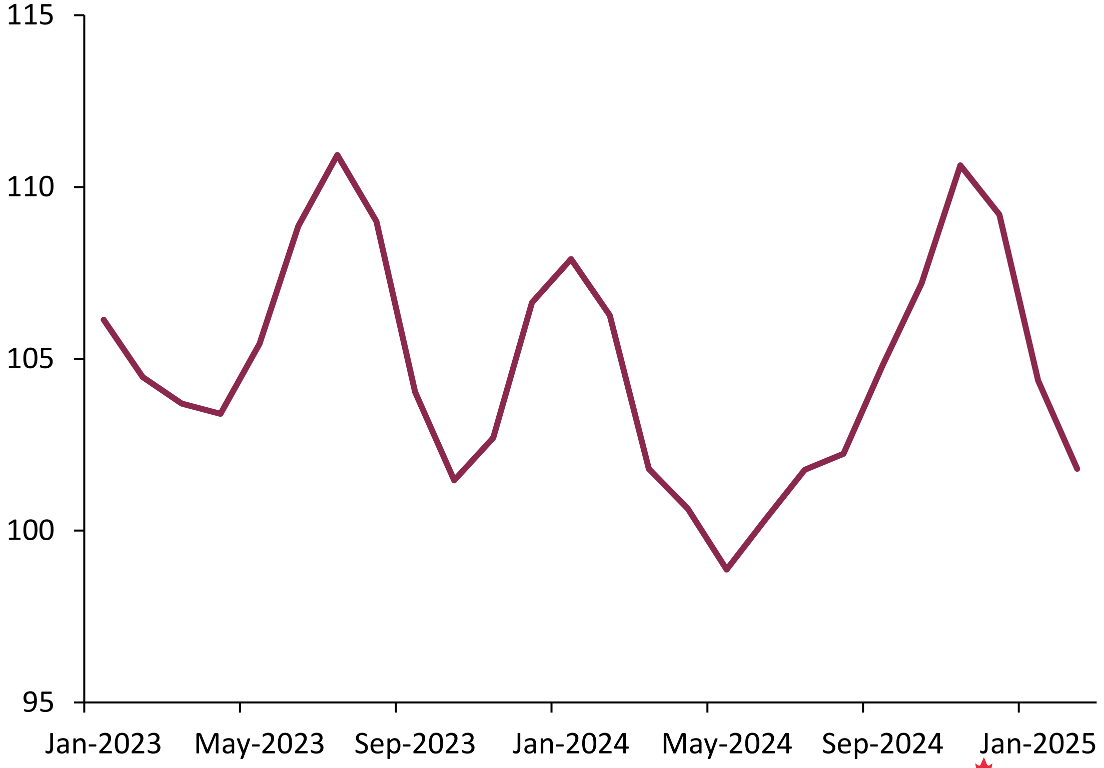
## U.S. hiring cools as job openings and hires decline

Hires (SA, thousands), job openings (EOP, SA, thousands); 3-month moving average




## U.S. confidence weakens, raising concerns for spending

Seasonally adjusted, 1985=100, 3-month moving average





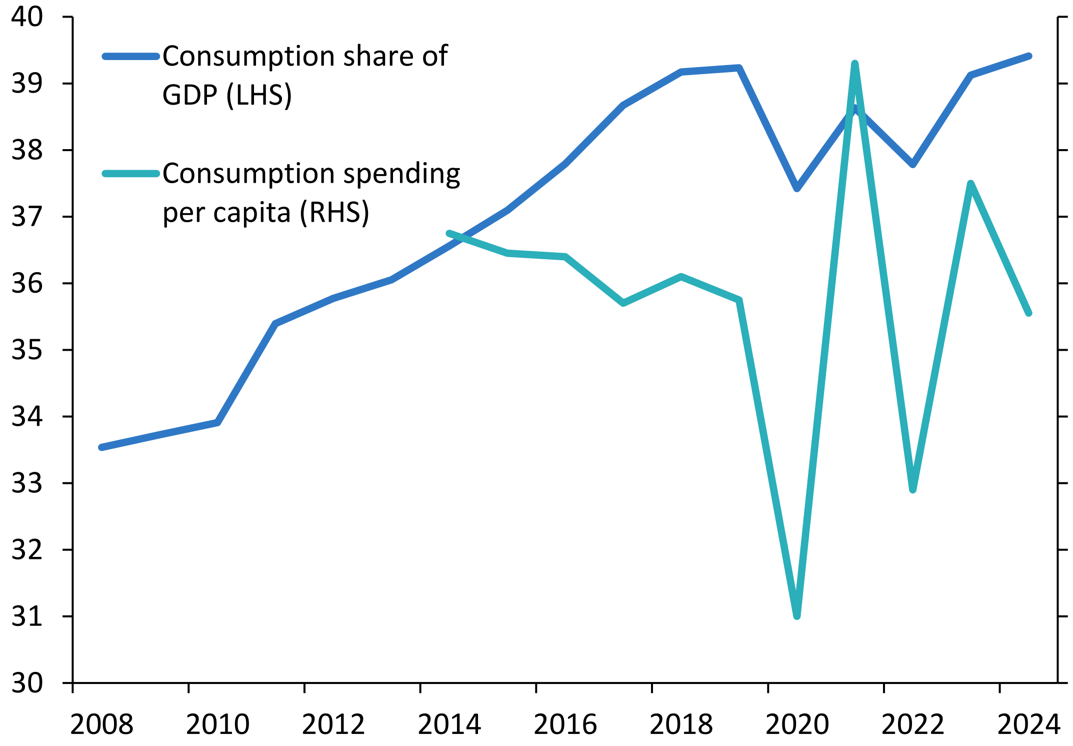

Source: Haver Analytics

# China’s pivot to domestic-led growth falters

While China has been gradually trying to pivot its economic growth to be led by consumption rather than exports as the global trade environment has hardened, the lingering effects of its property market crisis have hurt that transition. The falling value of property has undermined consumer confidence, leading to a pullback in spending and growing concern about price deflation. While the government is committed to supporting growth through stimulus, restoring confidence and domestic growth will be challenging.

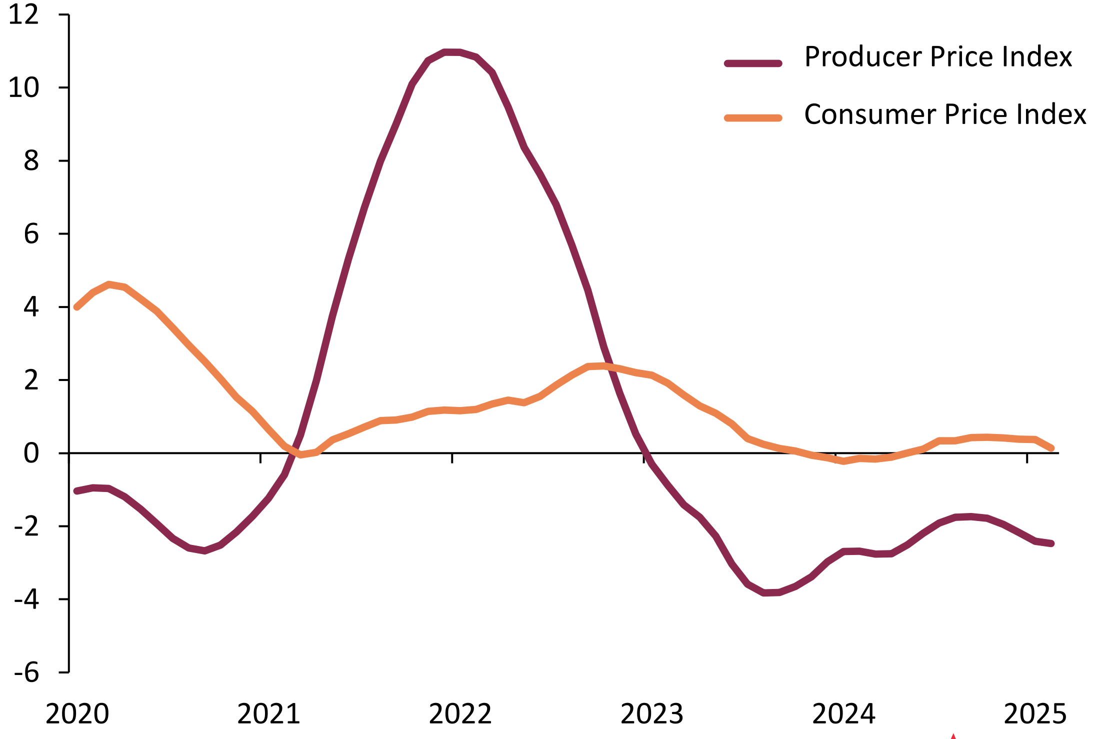
## Weaker consumption growth persists after 2021

LHS: Residential consumption, share of GDP (%); RHS: Year-over-year change (%)




## Slowing consumer prices and dragging producer prices

Year-over-year change (%), six-month moving average




 Sources: China National Bureau of Statistics, Haver Analytics, Oxford Economics, EDC Economics.

Note: In the left chart, all calculations are in real terms, with the 2024 residential consumption value (from the consumption share of GDP calculation) provided as an estimate from Oxford Economics. In the right chart, the Consumer Price Index and Producer Price Index are indexed to 2020=100. A six-month moving average was used to smooth out fluctuations in the data.

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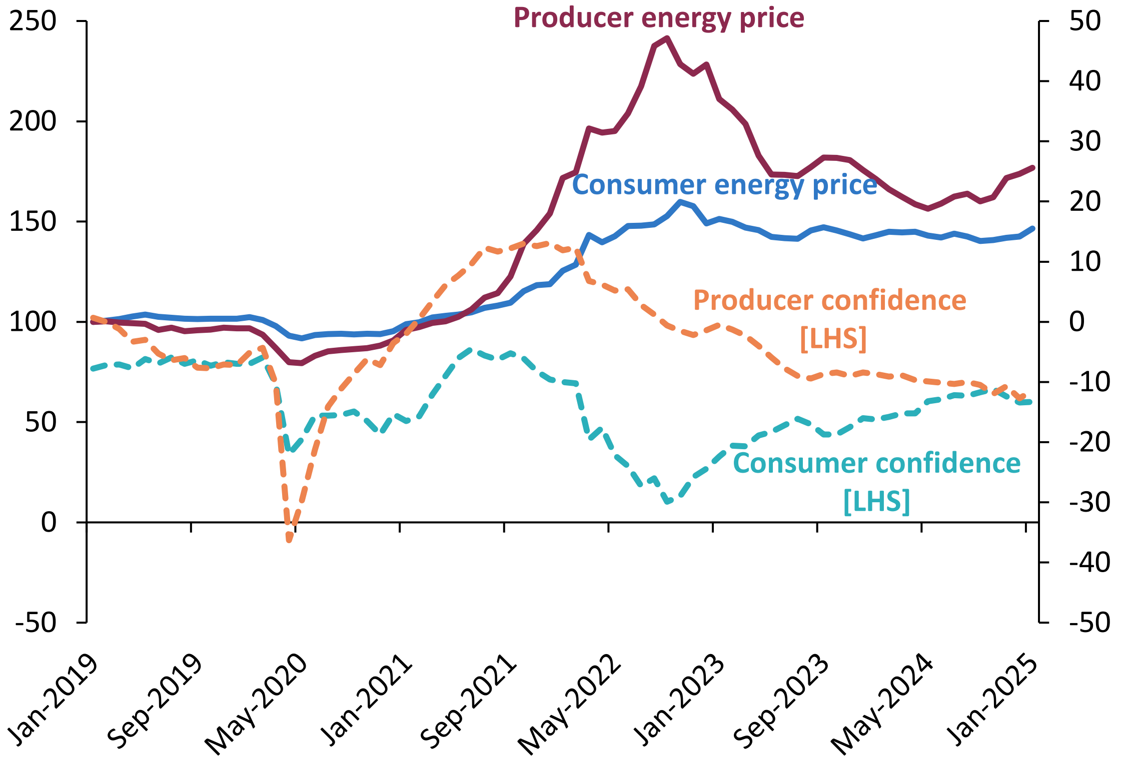
# Europe continues search for sustainable growth

Three years after Russia's invasion of Ukraine and the subsequent loss of access to cheap energy sources, Europe continues to search for enduring economic growth. Weakness in both France and Germany has held back the outlook for the European Union. While inflation has eased and the European Central Bank began aggressively cutting interest rates in June 2024, the full benefits of the cuts have yet to materialize, and employment expectations remain subdued across most European Union sectors.

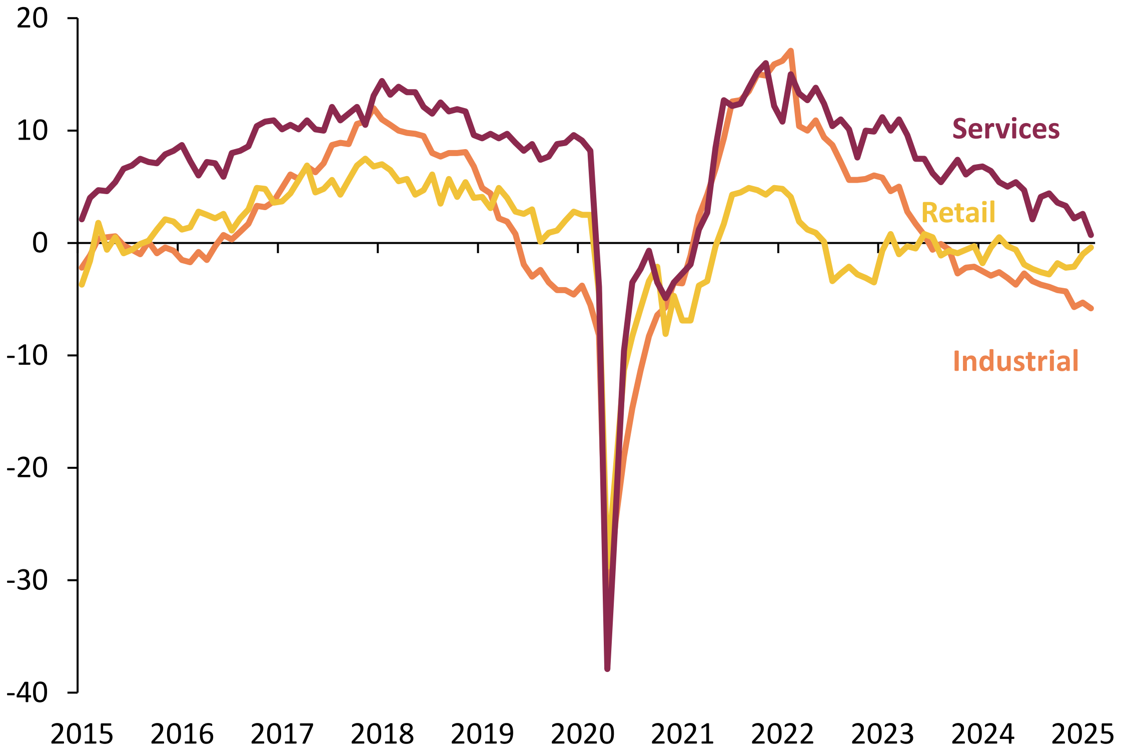
## EU consumer and producer confidence and energy prices

LHS: % balance of survey responses, SA| RHS: Index (January 2015 = 100)




## EU employment expectations by sector

Percentage balance of survey responses, seasonally adjusted





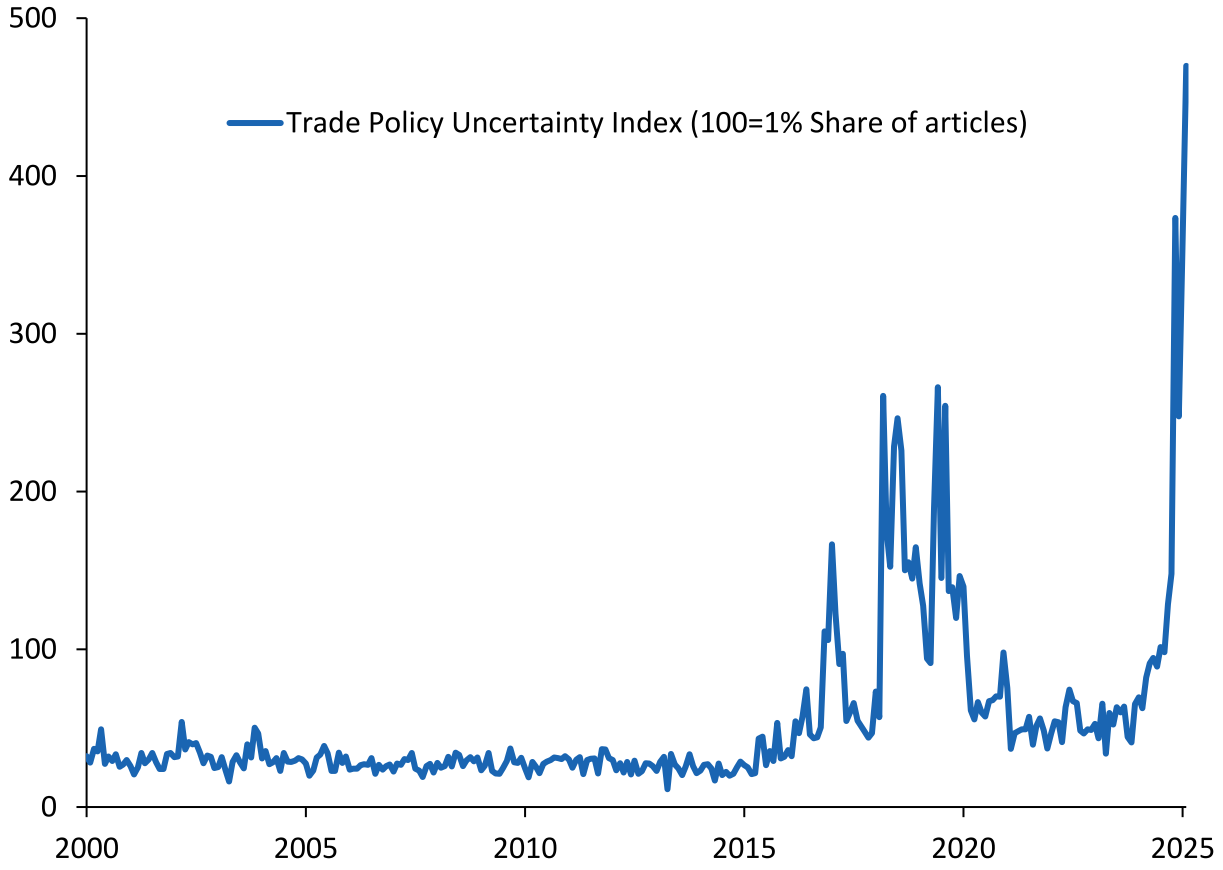

Note: SA=Seasonally adjusted, EOP=End of period, ECB=European Central Bank, EU=European Union. Energy indices includes coal, petroleum, natural gas and electricity.
Source: Haver Analytics, Statistical Office of the European Communities, European Commission, Bank of Finland

# COUNTRY OUTLOOKS

# United States

Prince Owusu, senior economist

## Tariffs and uncertainty weigh on U.S. economic outlook




Source: Haver Analytics, EDC Economics

**The U.S. economy is facing a challenging situation. The impact of tariffs (included in EDC's base case assumptions) is expected to slow growth while increasing inflationary pressures.** While we don't forecast a recession, we see increasing uncertainty and risks to the U.S. outlook.

Current data shows stability in the labour market, with an unemployment rate around 4%. However, surveys and measures of consumer and business confidence have started to erode, and expectations of future inflation are creeping up.

The recent deterioration has appeared as the new U.S. administration has promised prohibitive and broad-based tariffs for many trading partners and segments of the economy. While the administration's tariff promises have been evolving with several implementation dates, a fuller program is expected to be released early spring, after the cutoff date for this publication.

In the near term, economic and trade policy uncertainty may increasingly weigh on companies' investment and hiring plans. The Trump administration's stated desire to repeal legislation supporting key investments in sectors, like semiconductors and clean technology, may also restrain investment intentions.

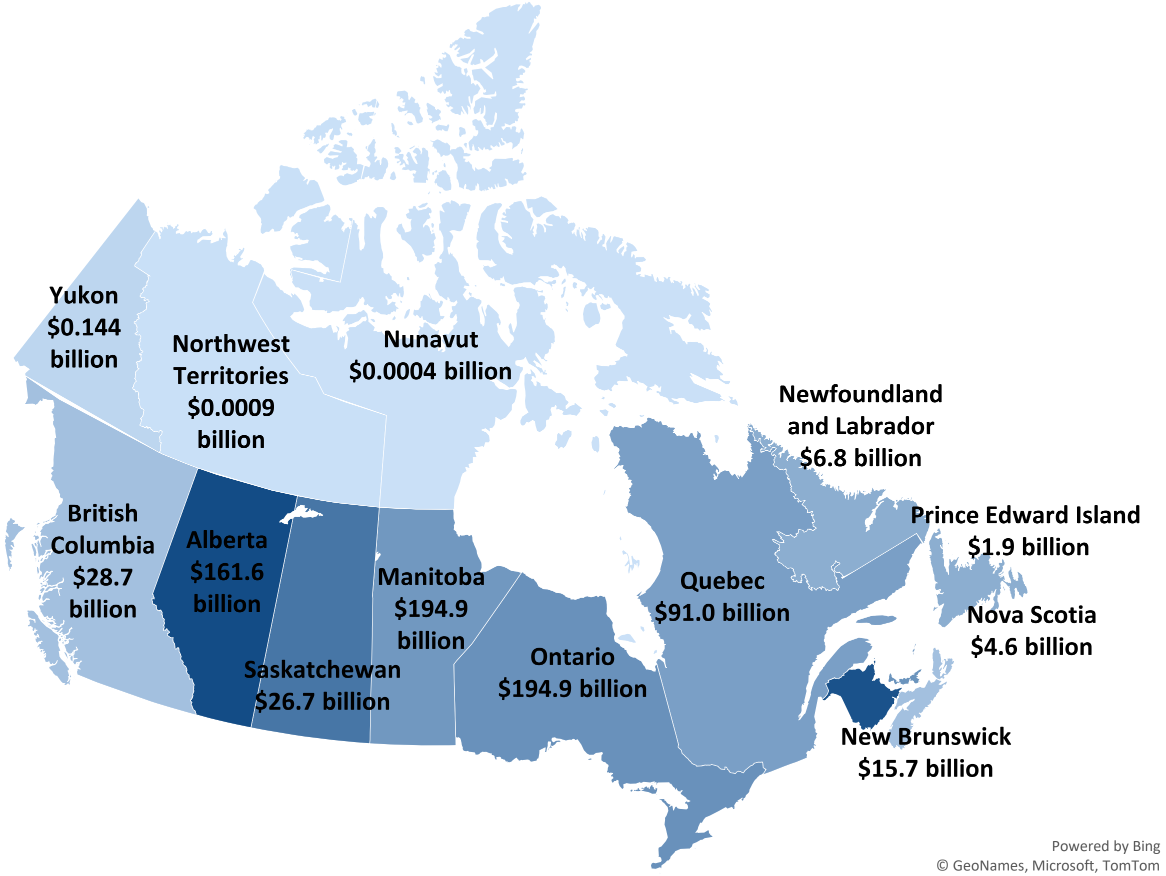
Given the key assumptions underpinning our forecast, EDC Economics forecasts that U.S. economic growth to be 1.7% in 2025 and 1.9% in 2026.

# Canada

Prince Owusu, senior economist

## Importance of merchandise exports to U.S. for provincial economies

Canadian dollar, in billions, not seasonally adjusted




**The Canadian economy will experience a significant impact from tariffs. In our base case assumptions, EDC Economics includes the imposition of tariffs on Canadian exports to the U.S. As a result, we see Canadian growth stalling, with the economy expanding by only 0.8% in 2025 and 1% in 2026.**

To begin 2025, trade disruptions and overall economic uncertainty have been building, and Canadian consumer and business confidence measures have tumbled as U.S. tariff threats have increased. While a rush by Canadian companies to export goods to the U.S. in advance of tariffs will boost economic activity in the first quarter, the imposition of tariffs will hit the remainder of the year hard.

With Canadian companies and consumers also relying on the U.S. for inputs—more than 60% of imports originate from the U.S.—reactive measures will impact prices and inflation in Canada. With Canadian consumers already wary due to high debt service costs from elevated debt levels, an additional pullback on discretionary spending is possible. With significant uncertainty around the U.S. trade relationship and a more cautious consumer, business investment is likely tumble. A deterioration in the labour market—after showing some signs of revival at the start of 2025—is likely.

Though inflation is likely to rise, the Canadian reactive tariff measures announced are unlikely to cause inflation to take off. This will provide the Bank of Canada with room to cut interest rates to offset the weakening economy and support households and businesses. We forecast that the Bank of Canada's target interest rate is likely to fall to around 2% in summer and stay there until end of 2026. The economic outlook and lower interest rates will also hold down the value of the Canadian dollar, averaging US$0.66 in 2025 before recovering to an average of US$0.68 in 2026.



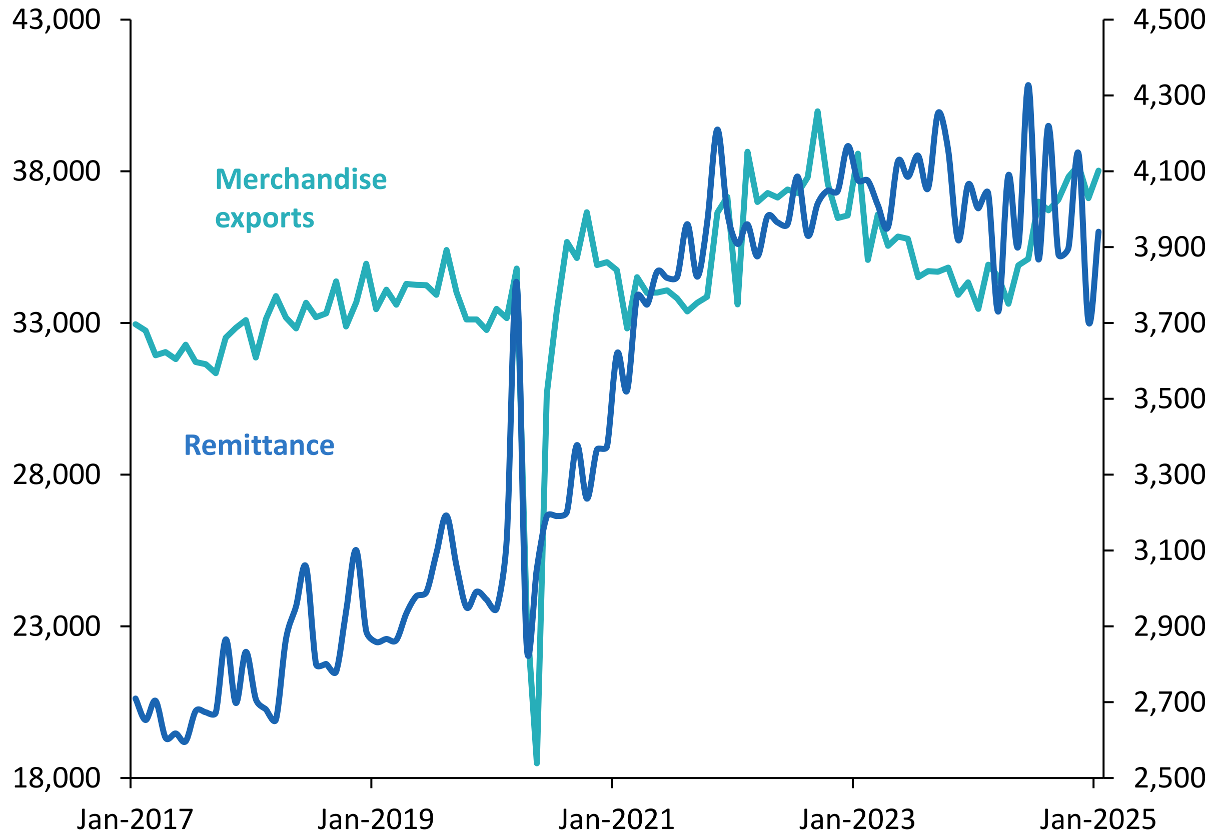
Source: Haver Analytics, EDC Economics

# Mexico

Prince Owusu, senior economist

## Mexico's economy faces significant challenges

RHS: Total worker's remittance, not seasonally adjusted, in millions of U.S. dollars
LHS: Merchandise exports, seasonally and inflation adjusted, in millions of U.S. dollars




Sources: National Institute of Statistics and Geography (INEGI), EDC Economics
Note: Data for remittance adjusted by inflation.

**Mexico's economy is facing strong headwinds from within and without. U.S. tariffs (included in EDC's base case assumptions) will significantly impact Mexico's exports to the U.S., while domestic constitutional reforms have destabilized the business environment.** As a result, EDC economics forecasts growth of just 0.3% in 2025 and 0.9% in 2026.

This weak growth outlook follows a 2024 where Mexico's economy managed to expand by just 1.2%. Borrowing costs have remain elevated and the labour market has slowed, with job gains to start 2025 trailing the pace from a year earlier. Though the government has maintained real minimum wage growth of 8% this year—a rate far above inflation—households are cautious in their spending plans. Inflation-adjusted remittances (largely from the U.S.) have been weakening since last summer and are down 9% in January 2025 compared to June 2024.

Judicial reforms enacted in fall 2024 have upset the business environment and reduced investment intentions. Foreign direct investment inflows into Mexico were down 3.4% last year. The external uncertainty from U.S. tariffs is also hitting the economy, as more than 80% of Mexico's exports are bound for the United States.

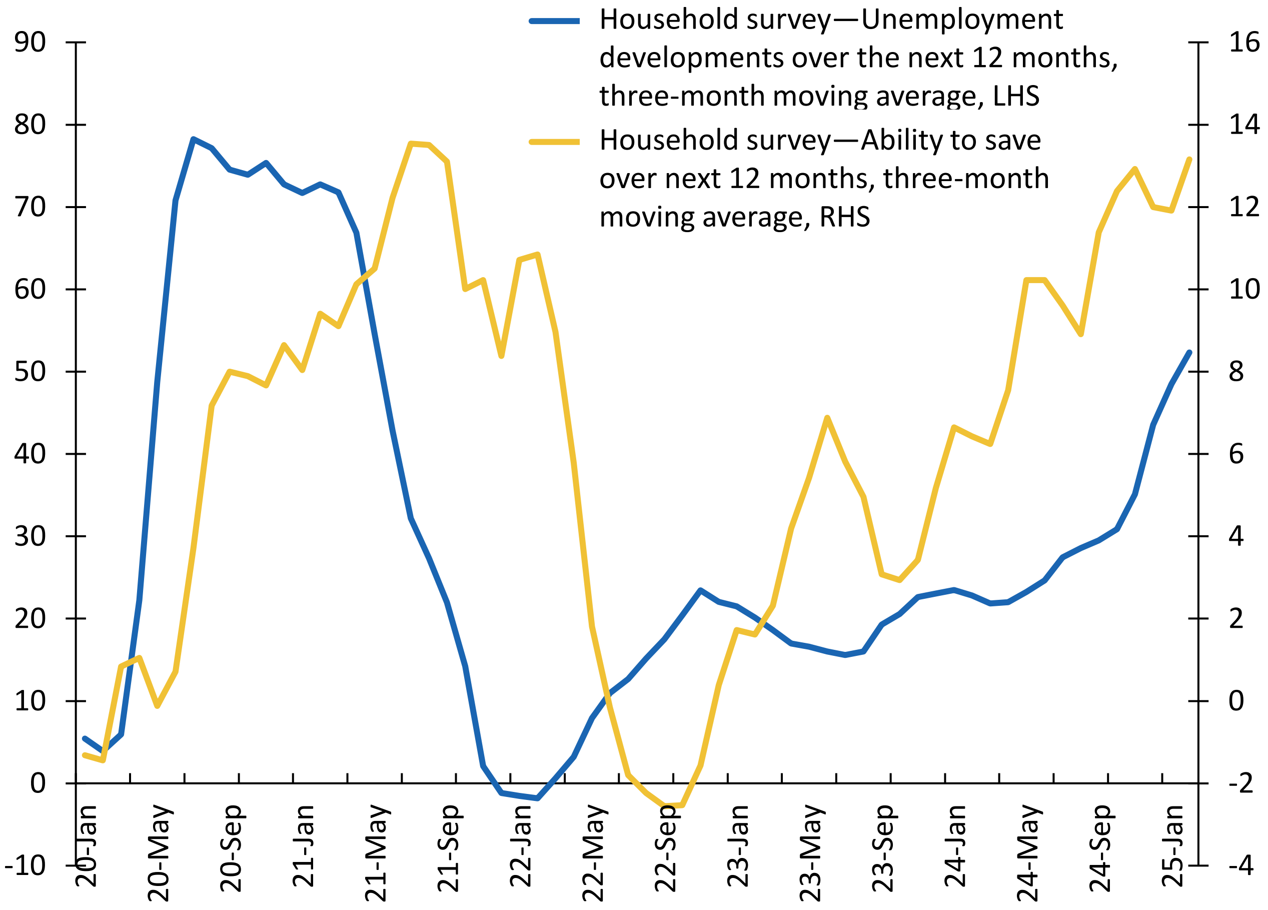
The threat of tariffs has forced businesses to pause investment plans, while others are considering moving operations. The high degree of uncertainty has led the peso to slide by 20% since last year's elections in June. With domestic demand faltering and inflation now largely under control, we forecast that the Central Bank of Mexico will continue to cut its policy rate this year. The weak economy combined with interest rate reductions will push the value of the peso above MX$21 to the U.S. dollar.

# France

Lili Mei, senior country risk analyst

## Consumers save more amid employment concerns

Seasonally adjusted, balance percentage




**France's economy ended 2024 on a weak note, contracting in the fall as political uncertainty prevented the government from approving a budget and led businesses to hold off on key investment decisions.** With a fractious parliament lasting into 2025 and an uncertain outlook for global trade due to the U.S. administrations policies, consumption is expected to remain relatively weak going forward. We forecast growth of 0.8% in 2025 and 1.4% in 2026.

Recent economic growth has been supported by steadily increasing government spending . Although new Prime Minister François Bayrou was able to form a government and pass a budget in early February, meaningful fiscal consolidation is nowhere in sight. Political instability will persist, making meaningful structural reforms pushed by President Emmanuel Macron unlikely due to the hung parliament. Domestic political gridlock combined with geopolitical tensions will increase pressure for public spending to continue growing. However, deteriorating public finances mean that bond yields are likely to continue rising, translating into higher borrowing costs.

Business sentiment remains low, and the service sector's outlook has softened. Companies are signalling that they're continuing to hold back investment decisions as the *Composite Purchasing Manager's Index* (PMI) remains stuck in contractionary territory.

Household consumption has been relatively positive as real incomes have risen, and the rate of inflation slowed. However, recent surveys point to rising concerns about unemployment, reflecting general weakness in service industries. Household intension to save are outweighing the propensity to spend and will drag on growth going forward.

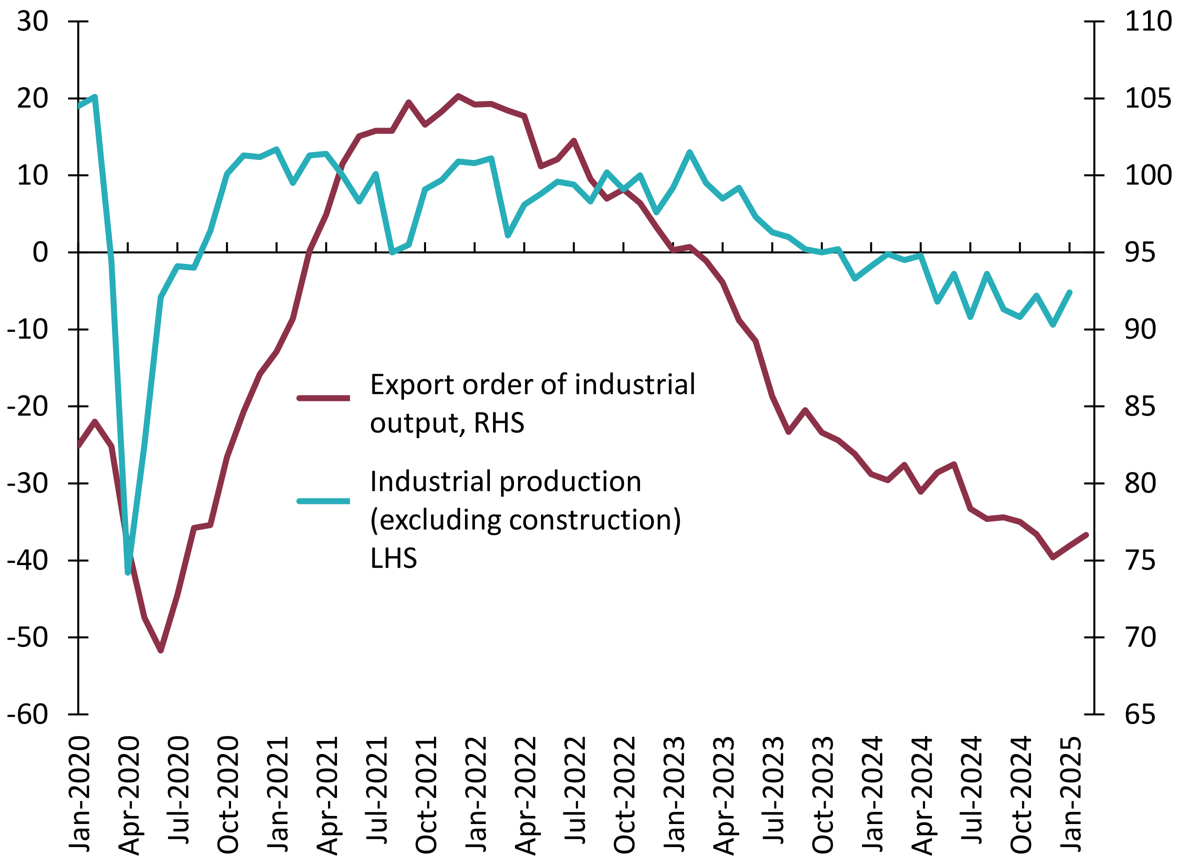
 Sources: Haver Analytics

# Germany

Lili Mei, senior country risk analyst

## Germany's economy struggles to find momentum

Seasonally adjusted




**Germany's economy has continued to deteriorate, contracting by -0.2% in 2024, its second straight annual contraction. Without a clear direction, Europe's economic engine will continue to misfire, and we forecast weak growth of 0.4% in 2025 and 1.2% in 2026.**

The incoming coalition government under chancellor-in-waiting Friedrich Merz is planning a major fiscal policy overhaul with a mega stimulus package, potentially changing the outlook for Germany and Europe. This package includes 500 billion euros (700 billion Canadian dollars) worth of spending on infrastructure and defence, along with a potential overhaul of the country's strict fiscal debt limit of 0.35% of gross domestic product (GDP). If passed, this package will bring a seismic boost to the ailing economy. Due to publishing timelines, the impact of this package isn't incorporated into our baseline forecast and represents an upside risk to our outlook.

Continuing the theme of the last two years, German industrial production and capacity utilization rates remain extremely low by historical standards. Investment hesitation is continuing and will persist until a clearer industrial growth plan is identified by the government. Pessimism is building in the labour market due to global headwinds, including trade uncertainty with the U.S. Consumers indicate they plan to save more in the coming months while they expect the labour market to worsen.

According to the Kiel Institute for the World Economy, a 25% U.S. tariff on EU goods exports will impact Germany significantly, reducing its exports by 1.5% and GDP by 0.4%. The U.S. administration's tariff plans are likely to emerge this spring, but uncertainty is already slowing investment, disrupting supply chains and diminishing the outlook.

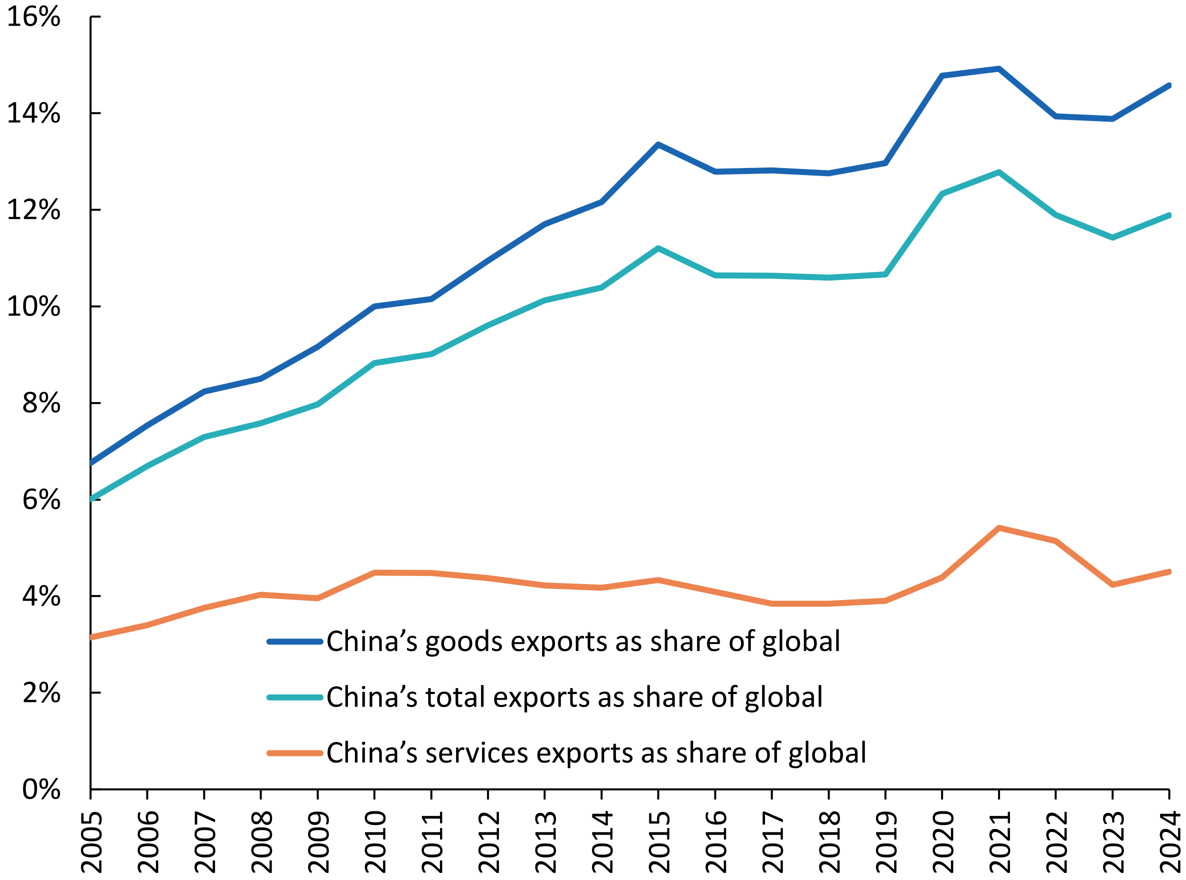
We expect low growth for 2025, but the outlook could turn more positive in 2026 as the government's industrial and defence policies become clearer. Lower interest rates in the Eurozone due to the European Central Bank's cutting cycle will also gradually provide additional support to the economy.

 Sources: Haver Analytics

# China

Susanna Campagna, principal country risk analyst

## China's economic outlook: Navigating trade challenges and stimulus measures




Source: Haver Analytics, Oxford Economics

**Emerging from its March policy meeting, China's government announced a growth target of around 5% for 2025, the same as for 2024. While the country hit the target last year, it benefited from an export surge in the second half of the year, likely due to a frontloading of export orders ahead of U.S. tariff concerns for 2025, which is unlikely to be repeated.** Exports have historically been a key growth driver for the Chinese economy and represent slightly more than 14% of global trade.

However, given the global trade environment and the additional 20% tariffs the U.S. administration has already implanted on Chinese exports to the U.S. in 2025, exports are likely to weaken. This is a key factor in EDC Economics' growth forecast for China of 4.7% for 2025 slowing to 4% by 2026.

Recent trade data showed some positive momentum in exports in the first few months of 2025, but a large dip in imports. The *Purchasing Managers Index* (PMI) data for new export orders has also remained in contraction since May 2024, underlining ongoing concerns over an increasingly challenging external trading environment. We expect increasing government stimulus will therefore become a key growth driver in 2025 amid softer exports, ongoing deflation concerns, weak domestic consumption and continued property sector woes.

Looking ahead, we expect China will continue to ramp up its efforts to grow its advanced manufacturing and technology sectors while also providing ongoing government support to tackle local government debt and shore up its financial sector. However, this support will mean the government's debt burden will continue to grow.

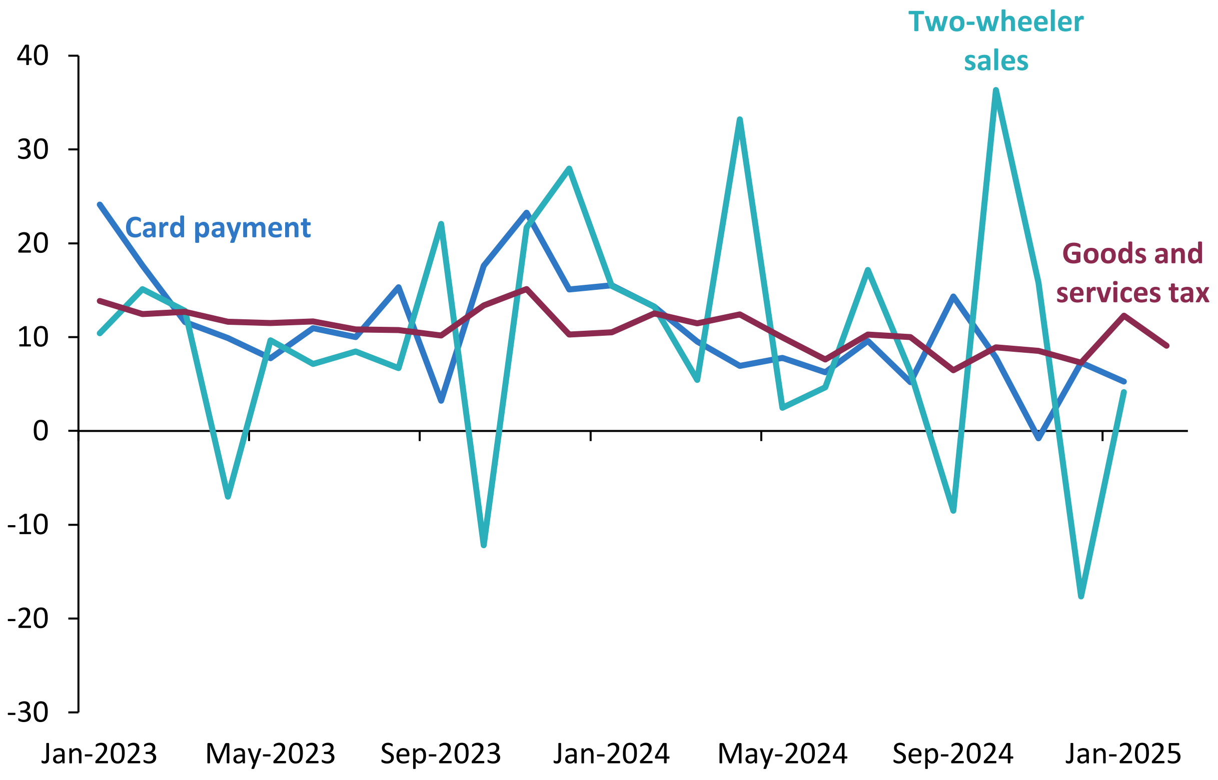
Upside risks to our forecast include U.S.-China trade talks that ease current tariffs against China. Key downside risks include any spillover from the property sector crisis into the financial sector, an escalation of current geopolitical risks or new or higher tariffs/restrictions affecting Chinese exports.

# India

Nadeem Rizwan, country risk analyst

## Consumption will remain strong

Growth, year-on-year, not seasonally adjusted




**India's growth remains stable, driven by strong consumption and government spending. EDC Economics has maintained our forecasts for growth of 7.1% in 2025 (fiscal year 2026) and 7% for 2026 (fiscal year 2027).**

In the fourth quarter of 2024 calendar year (i.e., third quarter fiscal year 2025), growth was largely fuelled by an increase in public consumption. This was supported by strong agricultural production bolstering rural demand reflected in the robust two-wheeler sales in the fourth quarter of 2024, declining inflation and festival-related spending. Government expenditure also rose, further boosting growth. Quarter-over-quarter, investment declined, negatively impacted the overall growth. Robust exports, coupled with a slowdown in imports, resulted in net trade positively contributing to growth.

Consumption is expected to remain strong, bolstered by rising disposable incomes from new income tax benefits and receding inflation. Government expenditure will sustain its pace. The government's continued focus on infrastructure development will ensure steady public investment. However, global trade and economic uncertainties may delay private investment decisions and negatively impact foreign direct investment. Amid these challenges, services exports will drive export growth.

Risks to the forecast include U.S. tariff policy, given that nearly 18% of goods exports are directed to the U.S. Conversely, an unexpected acceleration in investment represents an upside risk.

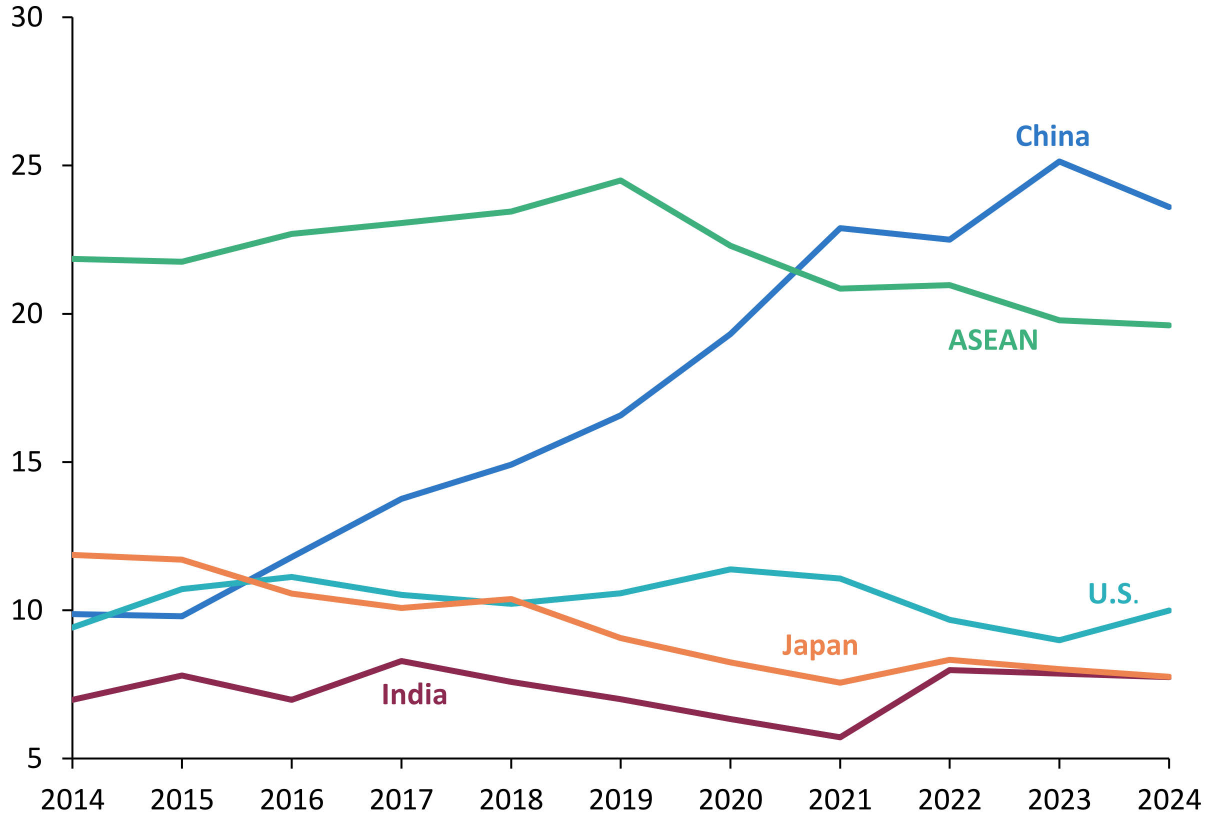
 Source: Reserve Bank of India, India Ministry of Finance, Federation of Automobile Dealers Association, Haver Analytics

# Indonesia

Nadeem Rizwan, country risk analyst

## Direct impact of tariff uncertainty may be limited

Percent of total merchandise exports




Sources: Bank Sentral Republik Indonesia, Haver Analytics, EDC Economics

**Indonesia's growth is projected to remain stable in 2025, primarily driven by domestic consumption. EDC Economics has maintained its growth forecasts for 2025 and 2026 at 5.1% and 5.2%, respectively**

In the fourth quarter of 2024, growth accelerated compared to the previous quarter, driven by robust consumption supported by low inflation. Government spending rebounded under the new administration. However, quarter-over-quarter, investment declined, leading to a deceleration in imports, while exports remained stable. Overall, growth in 2024 was 5%.

Looking ahead, a favourable price environment and economic stimulus are expected to keep consumption steady. Private investment will likely remain subdued without significant changes to the investment climate, as capacity utilization remains below pre-pandemic levels. Pressure on the exchange rate due to a strong U.S. dollar will make a sustained rate cut challenging. Government spending may stagnate early in 2025 due to reallocating funds for welfare programs but is expected to pick up pace later. Stable commodity prices and growth in the Chinese economy will help maintain export stability.

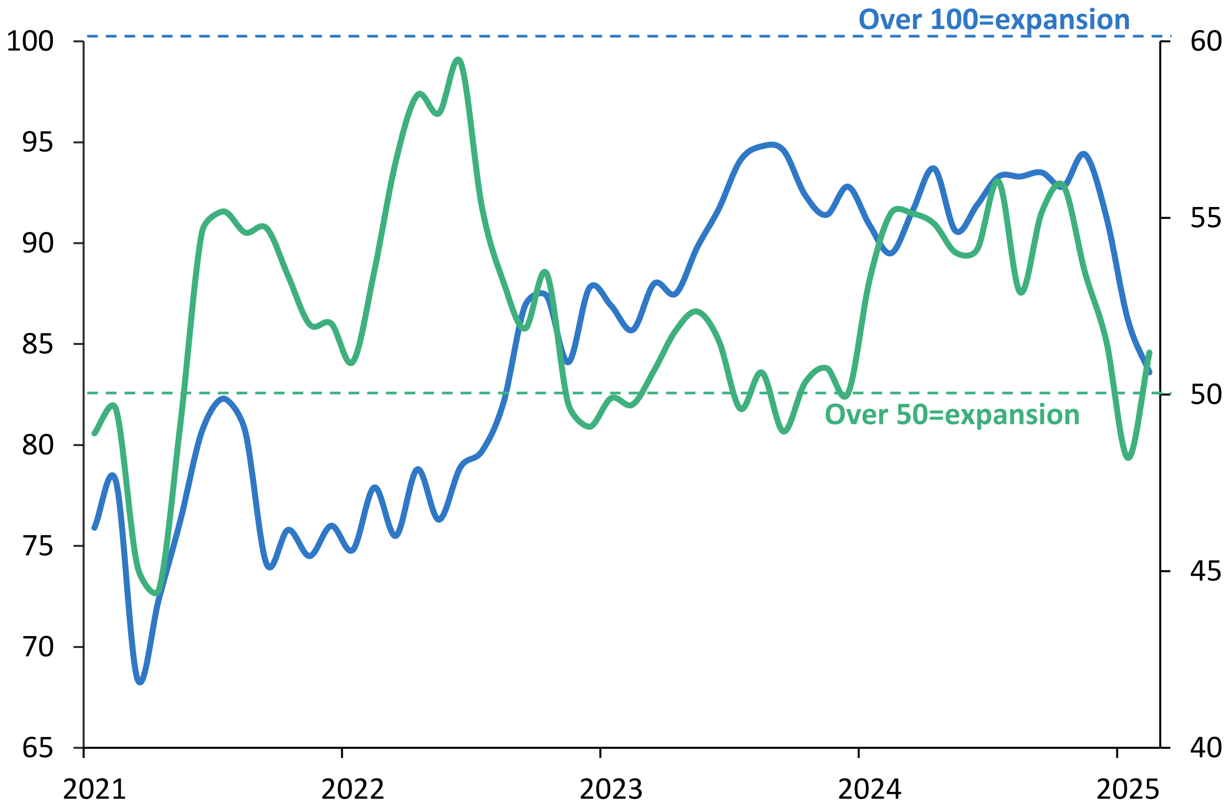
While uncertainty surrounding the U.S. tariff policy poses a downside risk, the direct impact on Indonesia may be limited, given that approximately 10% of total goods exports are directed to the U.S. However, an unexpected slowdown in China's growth due to the trade uncertainty could have a more significant impact on the outlook. On the upside, accelerating investment could enhance growth beyond expectations.

# Brazil

Daniel Benatuil, senior country risk analyst

## Weaker private sector confidence will soften economic activity

LHS: Consumer Confidence Index, seasonally adjusted
RHS: Producer Managers Index, seasonally adjusted




Sources: Brazilian Institute of Geography and Statistics, Haver Analytics, EDC Economics
Notes: Domestic demand refers to private consumption plus government consumption plus gross fixed capital formation.

**Brazil's recent economic slowdown reflects a welcome cooling after a post-pandemic streak of above-potential growth. We expect activity to moderate to 1.9% in 2025 and 1.2% in 2026 amid tight fiscal and monetary conditions and growing external headwinds, raising fiscal and political risks.**

Recent trends confirm our expectation for softer growth. They also highlight important nuances in Brazil's outlook. Another bumper crop will boost growth in the agriculture and downstream service sectors in the first half of 2025. Despite softer pricing, the outlook for production volumes of critical agriculture, energy and mining commodities is bright. Brazil continues to offer attractive long-term investment opportunities and a significant business pipeline despite high-interest rates.

Slower growth through fiscal restraint and higher central bank interest rates (Selic rate around 15%) is needed to reduce high inflation pressures arising from economic overheating. The economy will show resilience due to recent structural reforms improving financial and labour market performance. Despite restrictive macroeconomic policies and global geopolitical and trade headwinds, Brazil's economy will avoid a deeper downturn.

Fiscal concerns remain the key risk to the macroeconomic outlook. Slow growth puts pressure on policy to address a ballooning public debt. The Lula administration faces declining popularity and private sector confidence ahead of the 2026 elections. With little political appetite for austerity and a preference for higher spending, failure to tighten fiscal policy could lead to higher growth, inflation and interest rates, creating negative fiscal, macro-financial and political risks.

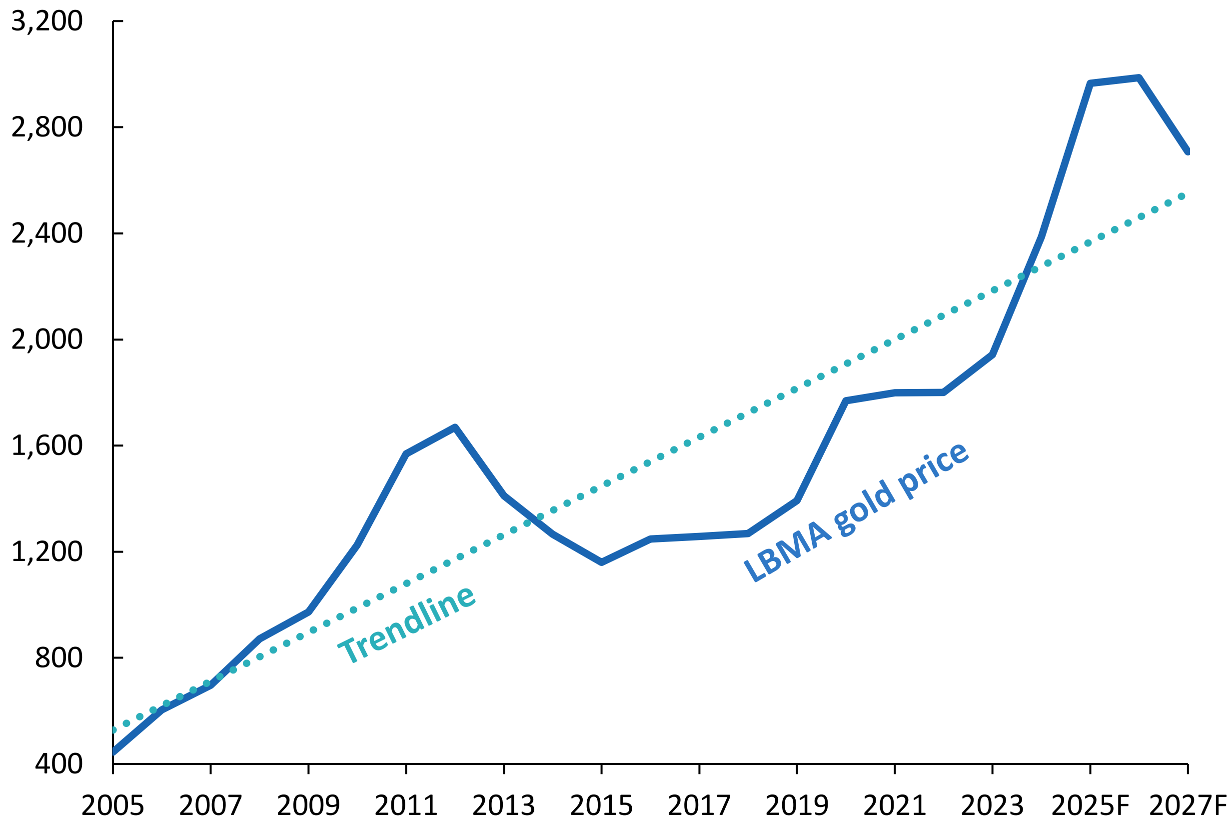
# COMMODITY OUTLOOKS

# Gold

Karicia Quiroz, economist

## Gold rally continues, with new price peaks expected for 2025 and 2026

US$ per troy ounce




**The highest gold price on record was in 2024, with no signs of slowing down in the short term. Driven by heightened policy uncertainty and trade tensions, we expect higher demand for gold to elevate the price to US$2,966 per troy ounce in 2025 and US$2,987 per troy ounce in 2026.**

The gold price continues to rise and repeatedly set new records. Early signals point to a higher 2025 price, with February and March daily prices surpassing the US$2,900 mark. Fuelled by policy uncertainty from the Trump administration—amid a weaker U.S. dollar and economic slowdown worries—central banks and investors are flocking to gold as a hedge against inflation, geopolitical risks and currency fluctuations. This is expected to provide a significant boost to gold demand and the price throughout 2025 and the first half of 2026. The appeal for gold will also be boosted by five expected Federal Reserve rate cuts over the 2025-2026 period.

By the second half of 2026, we anticipate central bank and gold investor demand to begin to wane—based on the assumption that policy uncertainties will have eased. This will lead to a gold price correction in 2027, with an expected drop in the gold price to US$2,707 per troy ounce.

Downside risks include potential inflationary impact of tariffs that could result in stickier interest rates, bringing down demand for gold. Upside risks include increased policy uncertainty and trade tensions, which could further boost demand for gold as a safe-haven investment.



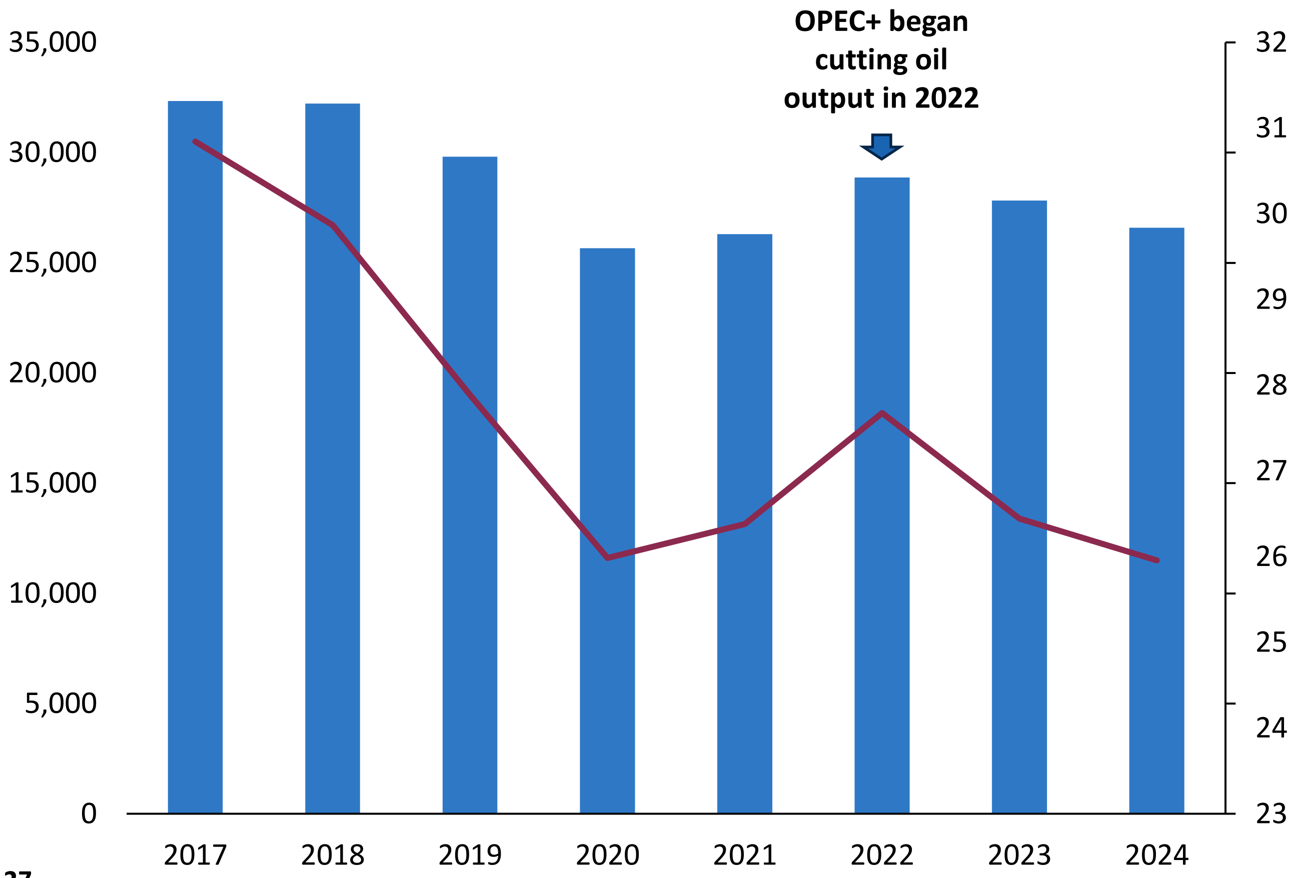
Sources: Haver Analytics, EDC Economics.
LBMA = London Bullion Market Association. F = forecast.

# Oil

Zhenzhen Ye, economist

## Despite exceeding its production quotas, OPEC's market share declines

LHS: OPEC's production (thousand barrels per day)
RHS: Share of OPEC production in total world supply (%)




Source: Haver Analytics

**Entering 2025, West Texas Intermediate (WTI) has fluctuated significantly due to geopolitical risks and global economic uncertainties.** WTI price rose to US$80 a barrel in January after the U.S. and the United Kingdom intensified sanctions against Russian oil exports but dropped below US$70 a barrel following OPEC+'s (the Organization of the Petroleum Exporting Countries and its allies) announcement of plans to unwind production cuts in April. Amid uncertainties about global economic growth caused by the U.S. administrations on-again, off-again tariff threats, WTI fell to US$66 a barrel in early March.

OPEC+, which includes OPEC members and additional oil-producing countries, like Russia, is the world's largest oil cartel and has substantial influence over global oil prices. OPEC+ began cutting oil output in 2022 to stabilize the market and support prices. Since then, they have announced reductions totalling 5.85 million barrels per day, nearly 6% of global supply. Saudi Arabia has shouldered most of these cuts, reducing its production by two million barrels per day over the past two years. The recent reversal of production cuts appears to respond to U.S. President Donald Trump's call to lower oil prices. However, OPEC+'s move may disappoint his call for U.S. oil producers to "Drill baby, drill," considering that 30% of operators in the Permian Basin, a prolific U.S. shale play, have break-even prices averaging US$70 a barrel.

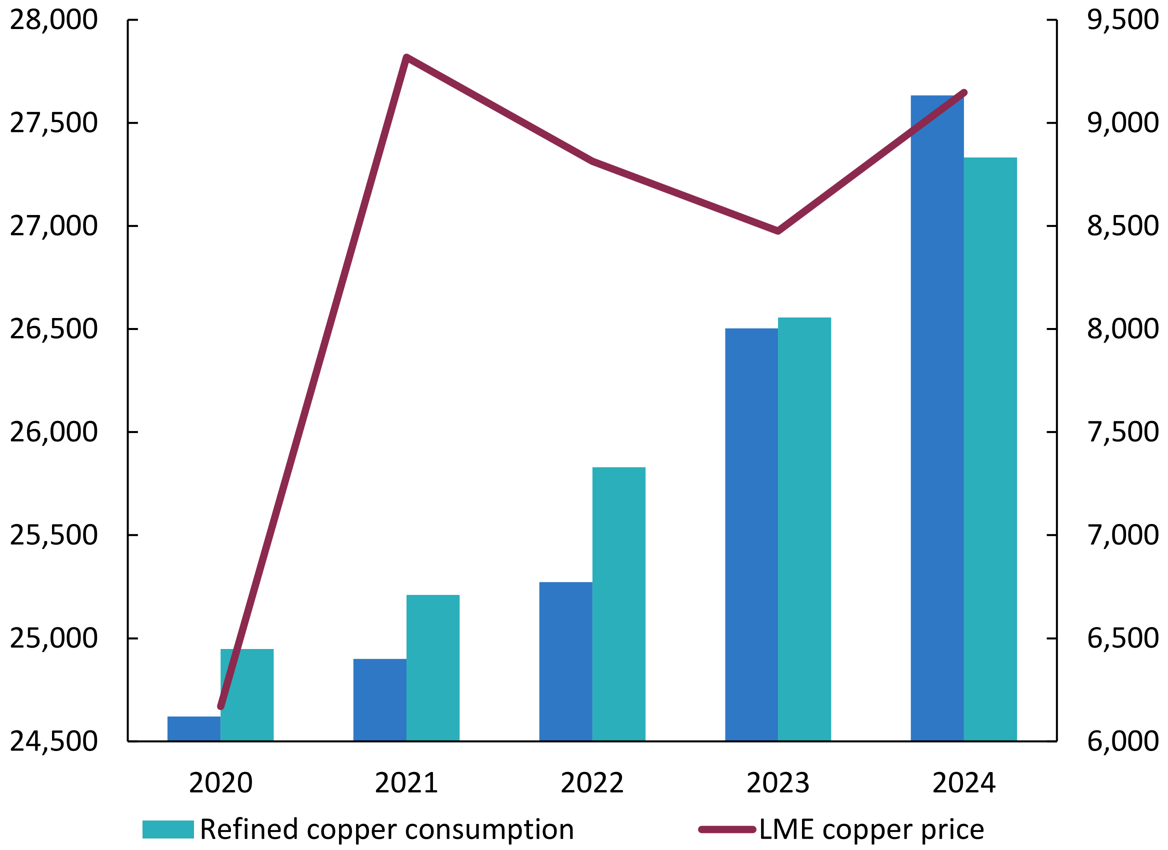
In the short term, geopolitical risks and economic uncertainties are expected to keep oil prices volatile. However, as the global oil balance shifts to a surplus in 2025, WTI is expected to face downward pressure.

# Copper

Karicia Quiroz, economist

**Despite uncertainty, global demand for copper will continue to rise**

Thousand metric tonnes of global refined copper; US$ per metric tonne




**The 2024 copper price was the second highest on record, driven by global supply concerns, although subdued from slower Chinese demand and market uncertainty on U.S. President Donald Trump's policies. We forecast the copper price to rise to US$9,400 per tonne and US$9,492 per tonne in 2025 and 2026.**

Copper prices in 2025 have trended up, signalling a near-term boost in copper demand from market concerns on future U.S. copper import restrictions. Despite slower global EV demand, global copper demand is expected to grow in 2025 and 2026 due to its use in core sectors, like building and construction, consumer products and industrial machinery. Expected Federal Reserve interest rate cuts in 2025-2026 will support industrial production that relies on copper inputs. However, volatility from market uncertainty on U.S. trade policies, weaker China GDP and consumption growth will weigh on copper price growth. Year-over-year (y/y) growth is expected to drop from 7.9% in 2024 to 2.8% in 2025 and 1% in 2026.

In the medium- and long-term, global demand is expected to grow further due to copper's use in clean energy technologies (e.g., EV, renewables, electricity networks), amidst an expected deficit in mined supply, which will elevate the price.

Upside risks include Chinese fiscal stimulus measures that would boost consumer spending in sectors requiring copper. Downside risks include Trump administration policies that could elevate trade war risks and weaken the economic outlook.



Sources: International Copper Study Group, Haver Analytics, EDC Economics.
Note: LME=London Metal Exchange. F=forecast.

# EDC FORECASTS

# Annual real GDP growth

| **Global Economic Outlook** (Annual % change) | 2024 | 2025$^F$ | 2026$^F$ | 2027$^F$ | 2028$^F$ | 2029$^F$ |
|---|---|---|---|---|---|---|
| **Developed countries** | **1.7** | **1.3** | **1.5** | **2.1** | **1.9** | **1.9** |
| Canada | 1.5 | 0.8 | 1.0 | 3.3 | 1.6 | 2.1 |
| United States | 2.8 | 1.7 | 1.9 | 2.6 | 2.5 | 2.4 |
| Eurozone | 0.7 | 0.9 | 1.1 | 1.4 | 1.4 | 1.3 |
| Germany | -0.2 | 0.4 | 1.2 | 1.4 | 1.1 | 1.1 |
| France | 1.1 | 0.8 | 1.4 | 1.5 | 1.2 | 1.1 |
| **Developing countries** | **4.2** | **3.6** | **4.1** | **4.2** | **3.9** | **3.7** |
| China | 5.0 | 4.7 | 4.1 | 4.4 | 3.7 | 3.5 |
| India | 9.2 | 6.2 | 7.1 | 7.0 | 6.6 | 5.9 |
| Indonesia | 5.0 | 5.1 | 5.1 | 5.0 | 4.7 | 4.5 |
| Brazil | 2.9 | 1.9 | 1.2 | 1.7 | 2.2 | 2.1 |
| Mexico | 1.2 | 0.3 | 0.9 | 2.5 | 2.5 | 2.5 |
| **World** | **3.1** | **2.6** | **3.0** | **3.3** | **3.1** | **2.9** |

Note: $^F$ denotes the forecast period. India's forecast based on fiscal year (2024 FY = Q2 2023 – Q1 2024, 2025 FY = Q2 2024 – Q1 2025). Red indicates negative values.
Source: *EDC Global Economic Outlook,* October 2024

# Currencies and interest rates

| Global Economic Outlook | | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|---|---|
| **Currencies** | **Exchange rate** | | | | | | |
| U.S. dollar | USD per CAD | $0.73 | $0.66 | $0.68 | $0.71 | $0.75 | $0.80 |
| Euro | USD per EUR | $1.08 | $1.05 | $1.10 | $1.19 | $1.22 | $1.24 |
| Euro | CAD per EUR | $1.48 | $1.59 | $1.61 | $1.69 | $1.62 | $1.54 |
| **Interest rates, annual average** | | | | | | | |
| Bank of Canada *(Overnight target rate)* | | 4.55 | 2.34 | 2.00 | 2.52 | 2.75 | 2.75 |
| U.S. Federal Reserve *(Fed funds target rate–Mid-point)* | | 5.19 | 4.30 | 3.58 | 2.72 | 2.62 | 2.62 |
| European Central Bank *(Policy interest rate)* | | 4.14 | 2.55 | 1.74 | 1.66 | 1.69 | 1.69 |

Note: F denotes the forecast period.
Source: *EDC Global Economic Outlook*, October 2024

# Commodity prices

| Global Economic Outlook | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|---|
| **Brent Crude Spot,** *USD/barrel (bbl)* | $80.5 | $72.3 | $70.2 | $68.4 | $69.6 | $71.1 |
| **West Texas Intermediate,** *USD/bbl* | $76.1 | $66.7 | $66.7 | $65.1 | $66.3 | $67.8 |
| **Western Canada Select,** *USD/bbl* | $61.7 | $56.0 | $53.9 | $51.6 | $52.8 | $54.3 |
| **Natural gas,** *USD/MMBtu* | $2.2 | $3.6 | $3.7 | $3.4 | $3.5 | $3.6 |
| **Gold,** *USD/troy ounce* | $2,387 | $2,965 | $2,987 | $2,707 | $2,494 | $2,250 |
| **Copper,** *USD/tonne* | $9,148 | $9,400 | $9,492 | $9,702 | $9,915 | $10,123 |

Note: F denotes the forecast period.
Source: *EDC Global Economic Outlook*, October 2024

# Disclosure



## Media inquires

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