



Global Economic Outlook

Trade tensions shake global economy's foundation

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

EDC Economics
October 2025

Canada

EDC

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Executive summary

Trade tensions shake global economy's foundation

Stuart Bergman

Vice-president and chief economist

Imagine the global economy as a giant game of Jenga. Every purchase, government initiative and business investment supported by resources, capital, technology and the activities of companies large and small. Pieces are traded up and down the tower with deliberate precision and—under the post-war order general agreement on the principles that uphold the structure's integrity.

That's not to say it's been perfect. Mistakes—whether self-inflicted or externally induced—have caused the structure to partially or fully crumble from time to time. Disagreement on tactics and perceptions of unfair advantage have occasionally encouraged a winner-take-all approach. But, for the most part, we continue to build together, recognizing that co-operation and our unique endowments are essential to maintaining balance and keeping the game going.

This year, however, players held their breath as blocks were added, removed, paused and reinserted in unpredictable patterns. As summer faded, key trade agreements were finally jammed into place, offering some stability. But clarity doesn't always mean the tower won't wobble.

Costly, country-specific tariffs and countermeasures piled up, weighing against each other and building on a foundation of mistrust. Levies on metals, autos and parts, and agricultural products added tension across nearly every country's side of the board. EDC Economics' *Global Economic Outlook (GEO)* assesses moves as of Sept. 15. While August rule changes and the end of "de minimus" loopholes are captured, any last-minute turns due to ongoing legal challenges are excluded from this round.

So, where does that leave us? The average effective U.S. tariff rate on goods imports was estimated at more than 18% in August—a sharp climb from the 2% rate that supported the global trade architecture for almost a century. Combined with months of uncertainty, it's no surprise the global economy is teetering. Growth is expected to inch along at 2.7% in 2025, nudging up to 2.9% in 2026, as geopolitical tensions rattle the table.

The U.S. economy caused the tower to sway early in 2025, as a surge in imports slipped a critical block and growth stumbled. But in the second quarter, a resilient core helped the structure regain its footing. Companies have so far absorbed tariff shocks, keeping inflation from toppling upward, even as business and consumer confidence remains shaky. Still, a slowdown in job creation hints at potential destabilization ahead.

EDC Economics expects the U.S. to avoid a recession collapse, with steady—albeit underwhelming—growth, short of 2% in both 2025 and 2026. The U.S. Federal Reserve, shouldering the weight of public dissent as it balances its dual mandate, is expected to carefully take 50 basis points off its policy rate this year and another 50 basis points in 2026.

Canada's economy, by contrast, lost a few supports in the second quarter. Despite a strong export push early in the year, sector-specific tariffs and uncertainty have driven business investment in machinery and equipment to its lowest levels since the 1980s. Unemployment is rising, especially in cities most exposed to tariff tremors—Windsor, Oshawa, Calgary and Hamilton.



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EDC Economics expects Canada to fall into recession in 2025, with growth stuck at 0.9%, before barely inching up to 1% in 2026. The reversal of many counter-tariff moves and relatively stable inflation underpinning give the Bank of Canada room to pull interest rates down three times in 2025, before pausing in 2026. Despite economic weakness, the Canadian dollar has benefited from players hedging against U.S. policy risk. We expect the loonie to average US\$0.72 in 2025, rising just a notch to US\$0.73 in 2026, as the Fed takes its turn in the easing cycle.

While many currencies have appreciated relative to the U.S. dollar, gold has been the biggest winner. Rising concern around the politicization of monetary policy—alongside a deteriorating U.S. fiscal position—has driven investors to seek shelter in the yellow metal. Since the start of 2025, gold has surged above US\$3,600 per troy ounce, its highest inflation-adjusted value since 1980. We expect the price to average just over US\$3,278 per troy ounce in 2025, and slightly less than US\$3,469 in 2026, as volatility persists.

Turning to China—arguably the game's most-watched player—early rounds saw pieces stacked precariously as U.S.-China trade tensions peaked. Now, with tariffs on Chinese exports down from a towering 145% to a much lower 30%, some weight has been lifted. Will this help China stabilize its layer? Perhaps a little, but policy-makers know the game isn't won yet. Domestic weakness and a rapid reorientation of exports mean China's focus will be on keeping its structure intact. With growth forecast at 4.8% in 2025 and 4.3% in 2026, we expect China's stack to stand—for now.

Across the board in Europe, the Euro Area has long watched its blocks wobble compared to the U.S. But renewed borrowing and investment in defence and infrastructure are adding stability. Germany, with a strong fiscal package, reinforced its tier, while France remains

fragile, threatened by political instability and government changes. Overall, the bloc is forecast to build at a 1.2% rate in 2025, but slowing to just 0.8% in 2026—steady, but not out of danger.

Though many countries reached trade agreements, both Brazil and India now face 50% tariffs on their exports to the U.S. While this adds tensions to their stacks, their foundations—supported by stable domestic conditions and limited reliance on U.S. exports—appear firm enough to prevent major collapse.

Bottom line: Trade tensions keep global economy off balance

Just like a high-stakes game of Jenga, the global economy is in a delicate balance, each move watched with anticipation. As players reach for blocks, some nations have successfully pulled out the right pieces—negotiating reduced tariffs and strengthening their structures. While this may offer momentary relief, others remain in precarious positions, and the instability will bring new challenges for all.

Heading into 2026 and beyond, Canadian exporters will need a steady hand. The challenge lies in keeping the structure upright, knowing each turn brings both opportunity and risk to the game. But every move matters. So, whether you're adding, removing, or just watching the blocks, keep your hands steady and your strategy flexible. In this game, resilience and adaptability are the only ways to come out on top.

EDC

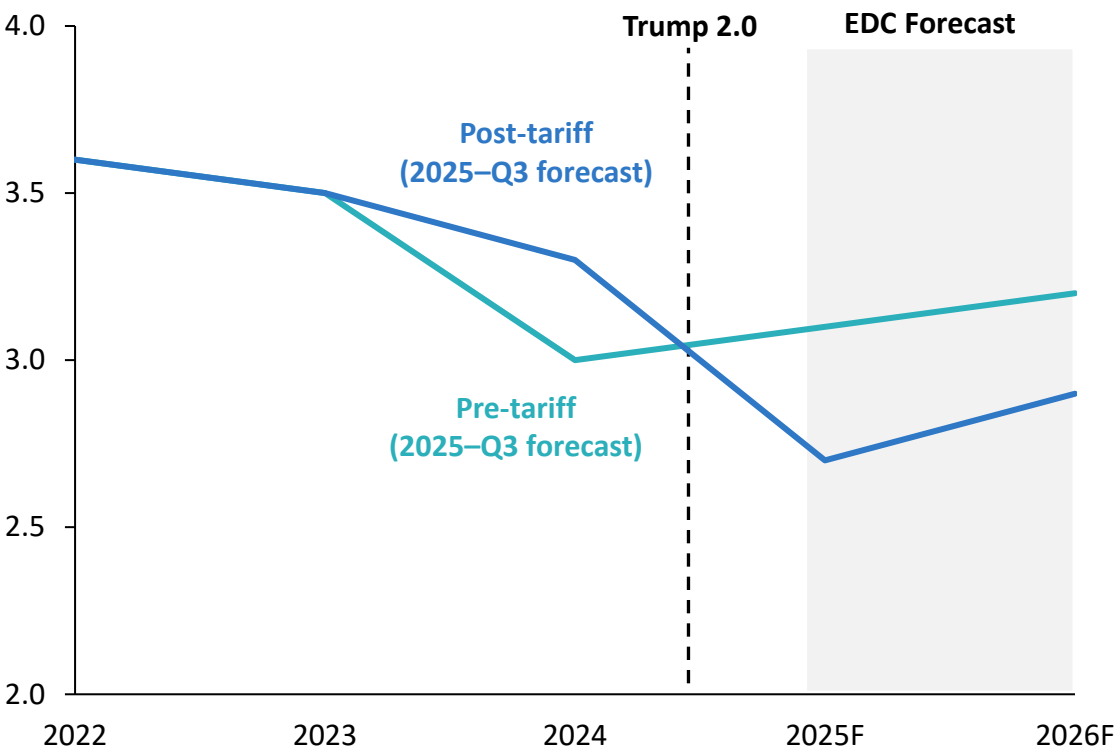
MACROECONOMIC CONTEXT

Tariffs dampen global growth outlook

Tariffs have disrupted global trade and are driving a downward revision in the global economic outlook. EDC Economics now projects growth to decline from 3.1% to 2.7% in 2025, and from 3.2% to 2.9% in 2026. Key markets are feeling the impact—including the United States, where the forecast has been cut by 0.4 percentage points compared to our pre-tariff forecast. Canada, with strong trade ties to the U.S., has seen the most significant revision, with 0.8 percentage points trimmed from its 2026 GDP growth forecast.

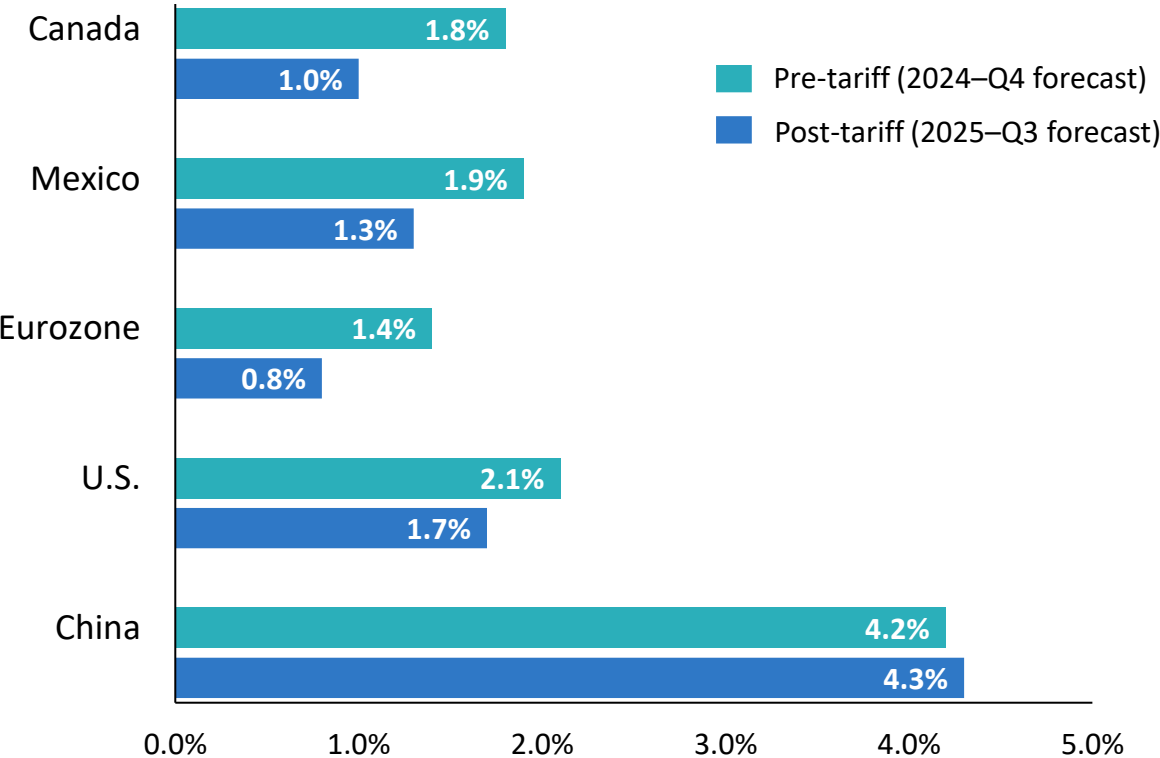
Global GDP growth before and after U.S. tariffs

Gross Domestic Product (GDP), percentage



Including U.S., major economies face contraction in 2026

Gross Domestic Product (GDP), percentage

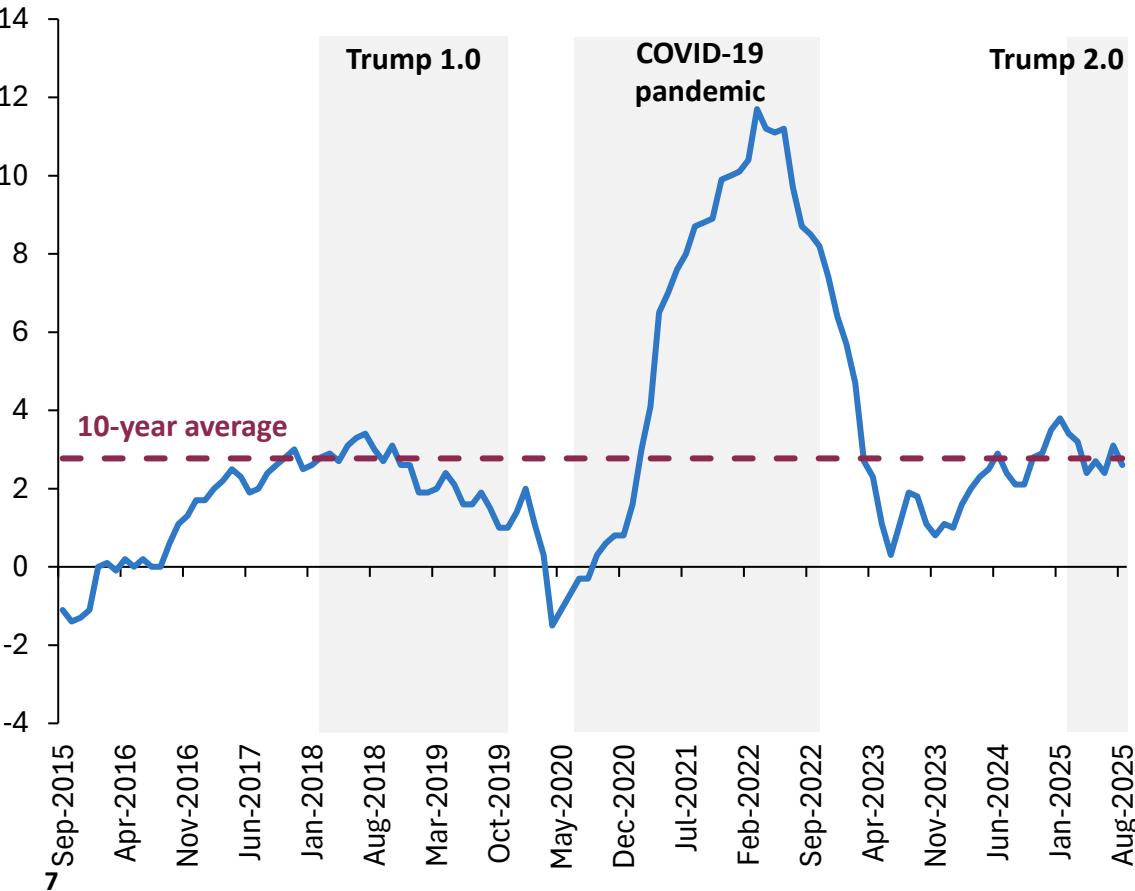


Who's bearing the cost of tariffs?

U.S. producers are passing tariff costs on to customers, driving price increases. In August, the *Producer Price Index* (PPI) fell to 2.8% year-over-year. The impact is most evident in sectors facing steep tariffs—such as food, consumer durables and capital goods—where the PPI increases ranged from 3.5% to 7.5%. In contrast, sectors less exposed to tariffs, including energy, and pharmaceuticals, saw PPI declines between 1% and 12.8%.

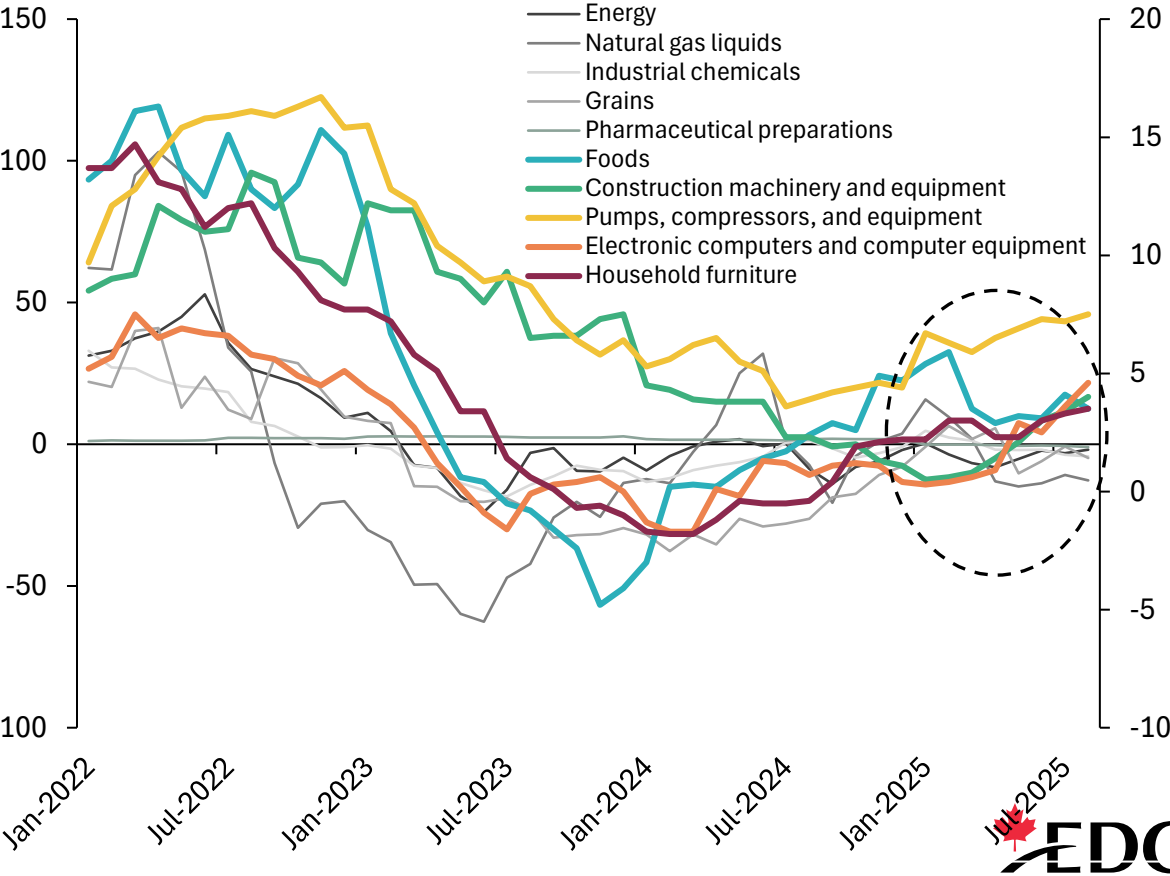
Producer Price Index slows in the wake of tariffs

Final demand (not seasonally adjusted, year-over-year % change)



Producer prices rise in sectors heavily hit by tariffs

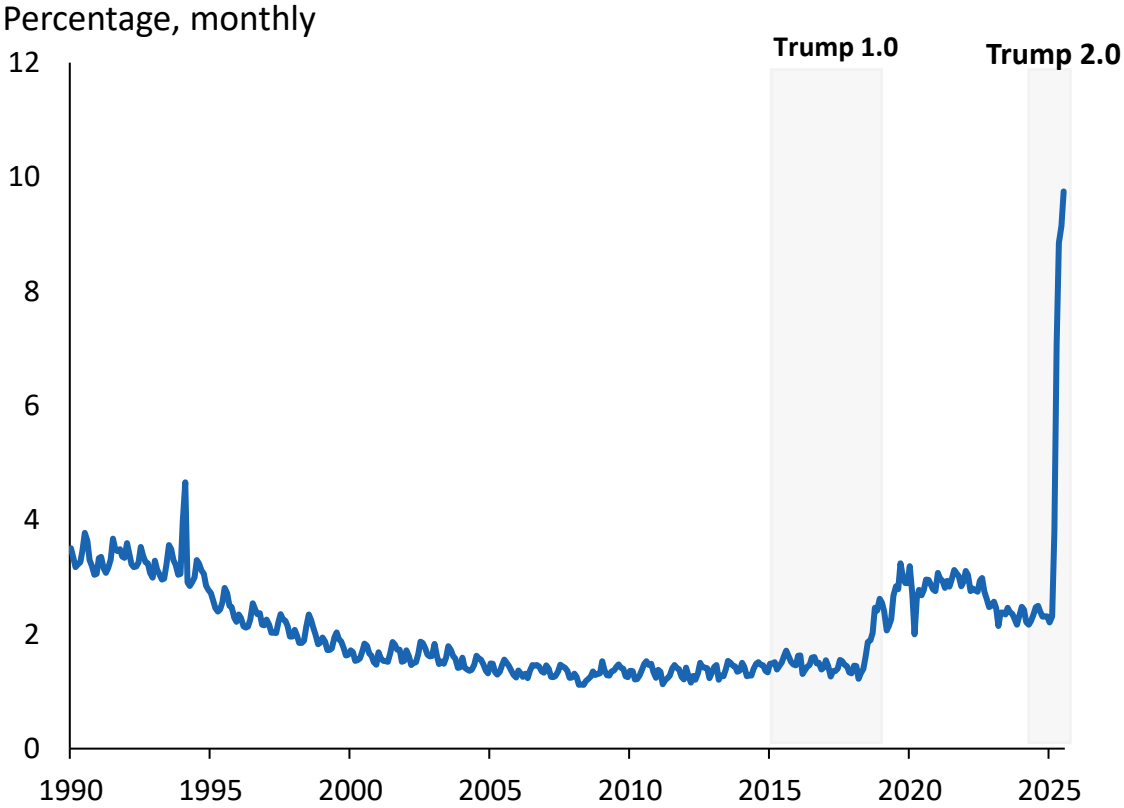
PPI: Final demand (not seasonally adjusted, year-over-year % change)



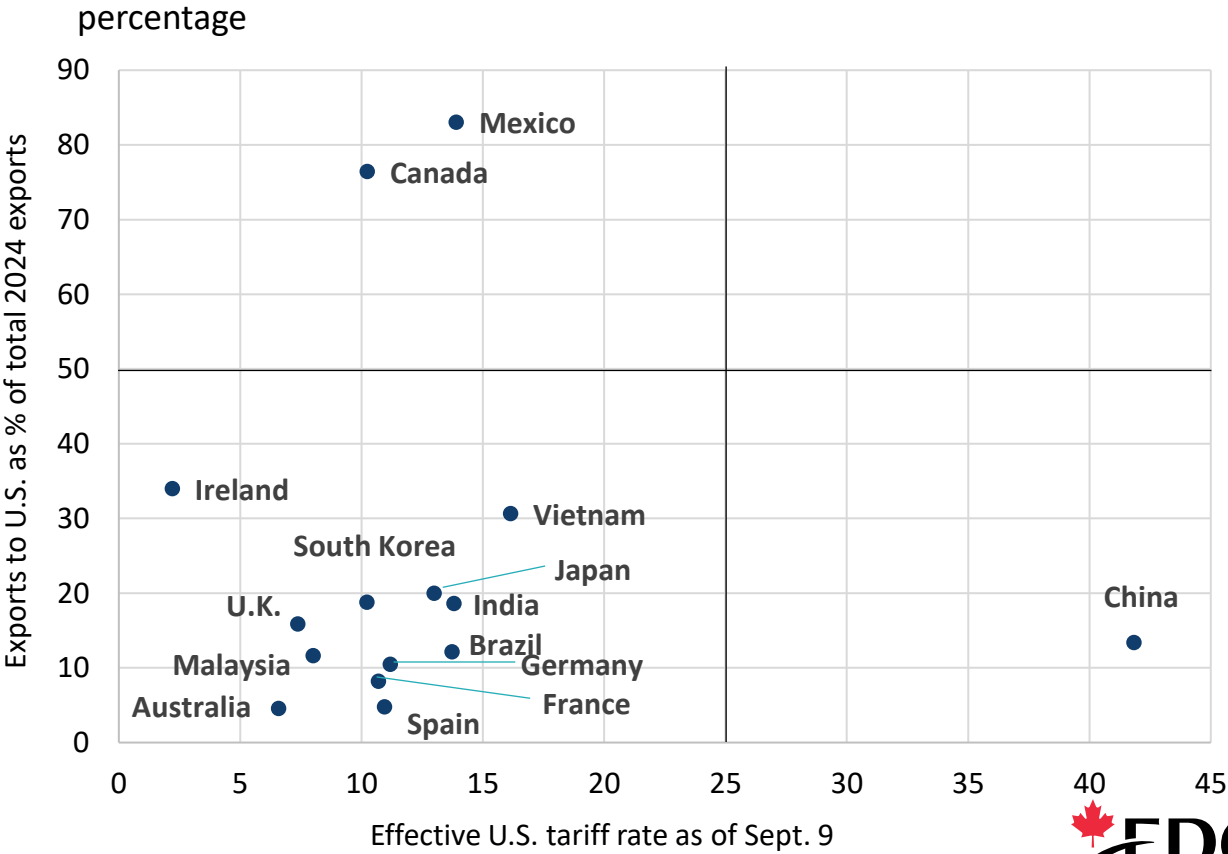
Tariff exposure and export dependence: A growing vulnerability

The effective U.S. tariff rate has risen sharply in 2025, disrupting global trade and reversing two centuries of liberalization. The impact varies across countries, with those facing high tariff exposure and significant export dependence on the U.S. experiencing heightened vulnerability. This dynamic is especially relevant for emerging markets and smaller economies, where concentrated trade relationships increase the risk of disruption. Sector specific tariffs—targeting aluminum and steel, copper and motor vehicles and parts—are compounding the challenge, pushing up rates alongside country-specific measures.

The historical U.S. average effective tariff



Exposure to U.S. tariffs versus export reliance to the U.S.

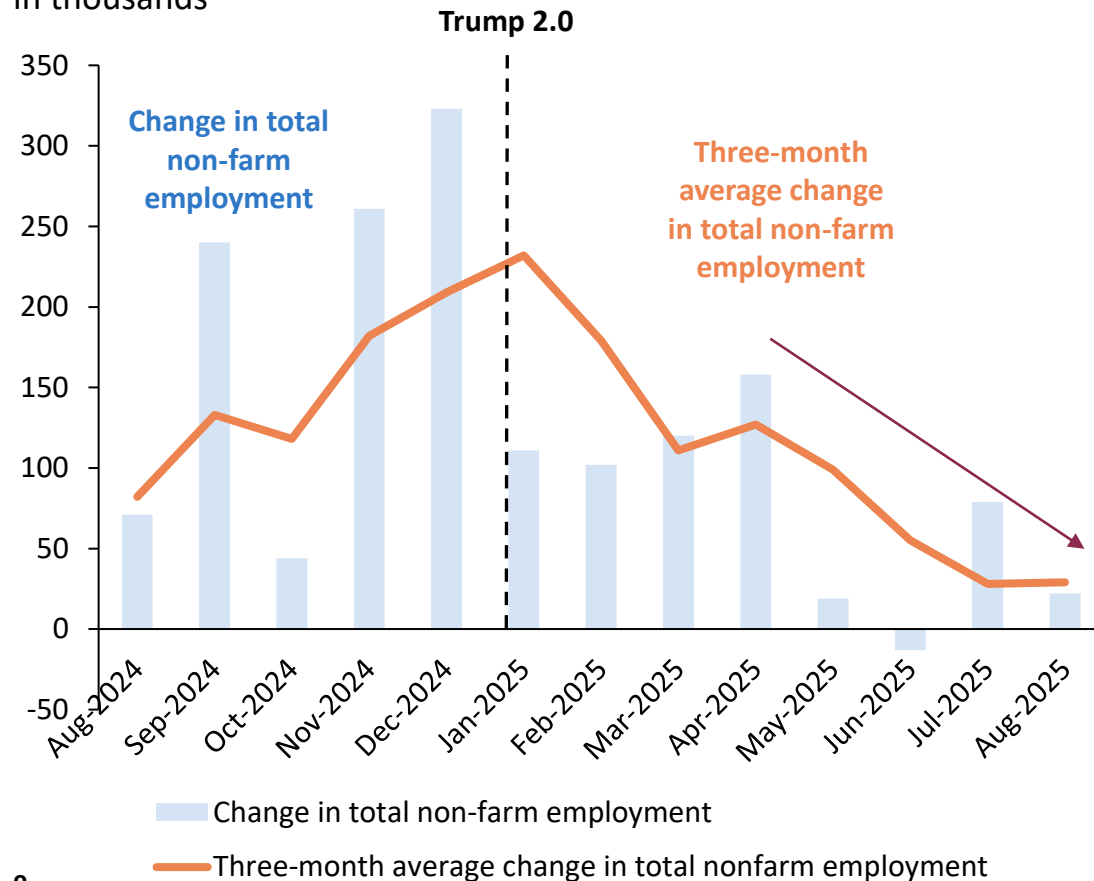


U.S. labour market strains signal policy-driven slowdown

The U.S. labour market is beginning to show signs of strain, with trade policy uncertainty and changes to immigration policy contributing to instability. According to U.S. Bureau of Labor Statistics data, the foreign-born labour force shrank by approximately 1.1 million people between March and August—the largest six-month decline on record. This tightening labour supply is expected to gradually feed into prices across the economy. Already, U.S. consumer inflation expectations have begun to climb again.

U.S. job market flashes a warning sign

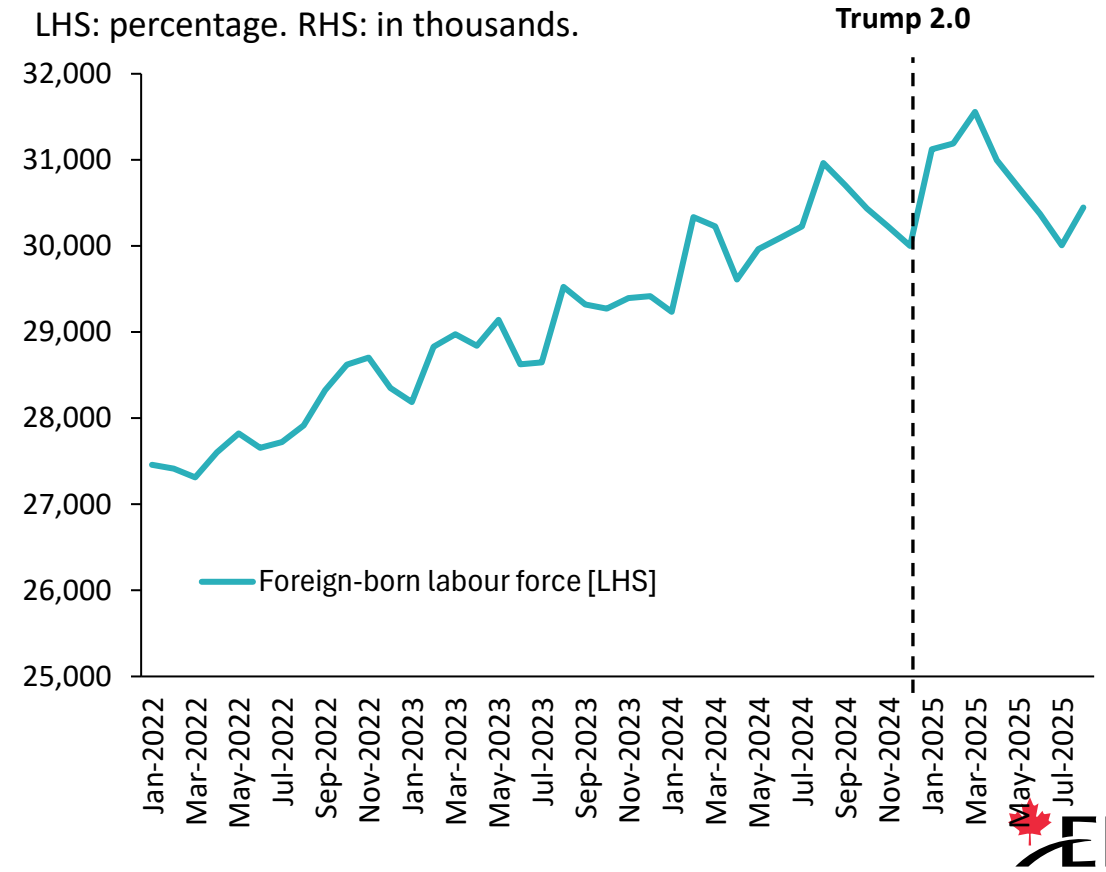
Three-month average in employment, non-farm, seasonally adjusted, in thousands



U.S. Bureau of Labor Statistics reports significant decline in foreign-born workers

Labour force over 25 years, not seasonally adjusted.

LHS: percentage. RHS: in thousands.

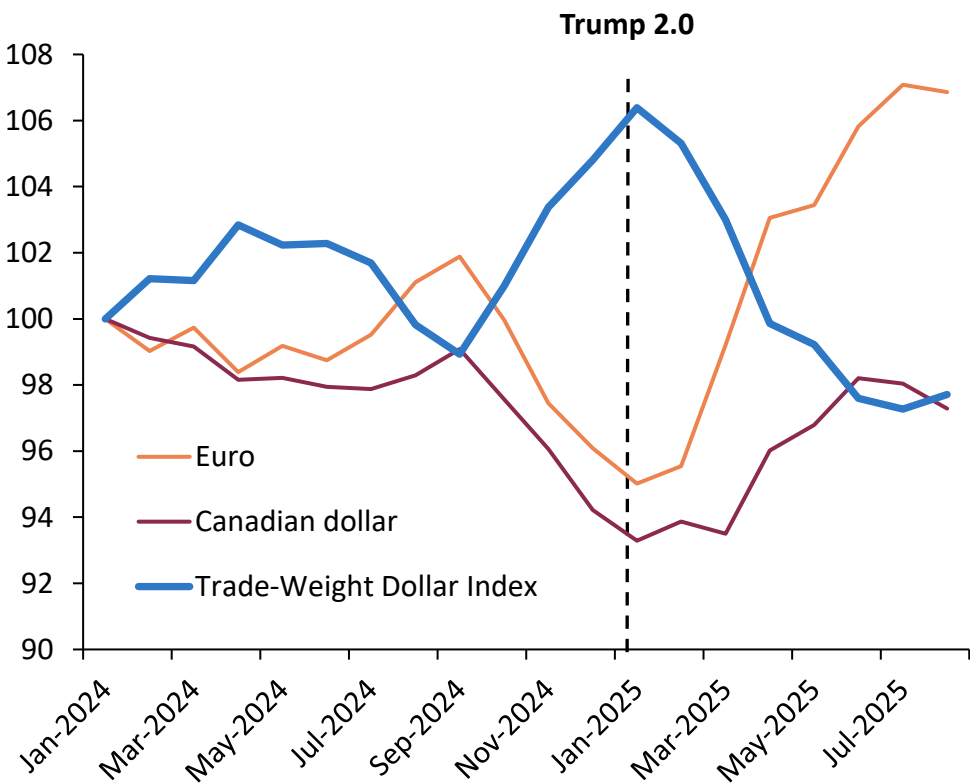


Policy uncertainty puts pressure on the U.S. dollar

Since the start of 2025, the U.S. dollar has weakened sharply following new tariff announcements and growing concerns over the outlook for U.S. monetary policy. This decline reflects rising uncertainty and weakening investor confidence. In response, other countries are stepping up efforts to reduce reliance on the dollar by promoting local currency trade and diversifying investments. While these shifts are partly cyclical, they risk becoming structural—potentially challenging the dollar’s role as the global reserve currency.

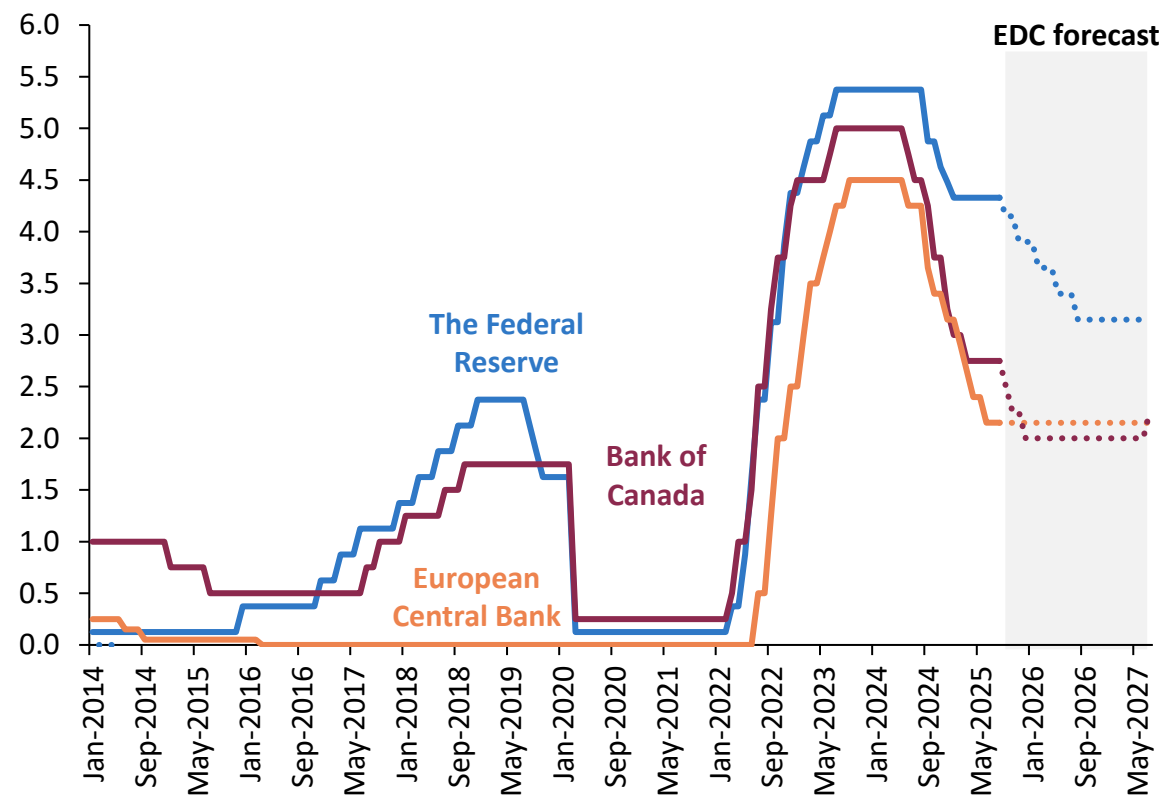
Depreciation of U.S. dollar

Jan-2024=100



Labour market challenges push central bank rate cuts

Percentage

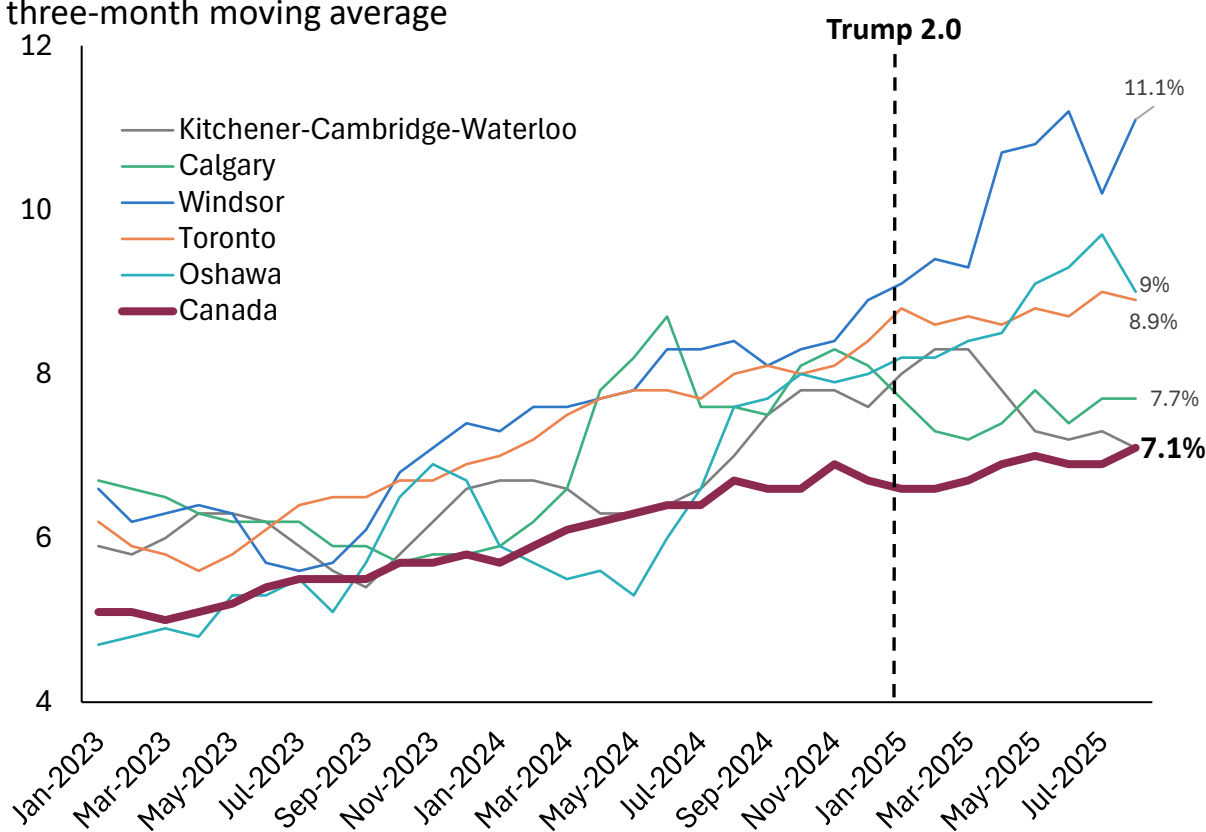


Canada's labour market weakens under policy uncertainty

Since November 2024's tariff threats, Canada's labour market has deteriorated sharply. Unemployment has climbed to 7.1%—the highest level since 2016, excluding pandemic years. The rate has risen even more in trade-exposed cities, like Guelph, Windsor and Kitchener-Cambridge-Waterloo. At the same time, Canadian households remain under pressure, with the highest debt-to-disposable income ratio among G7 countries. This limits their ability to take on additional debt and weather ongoing uncertainty.

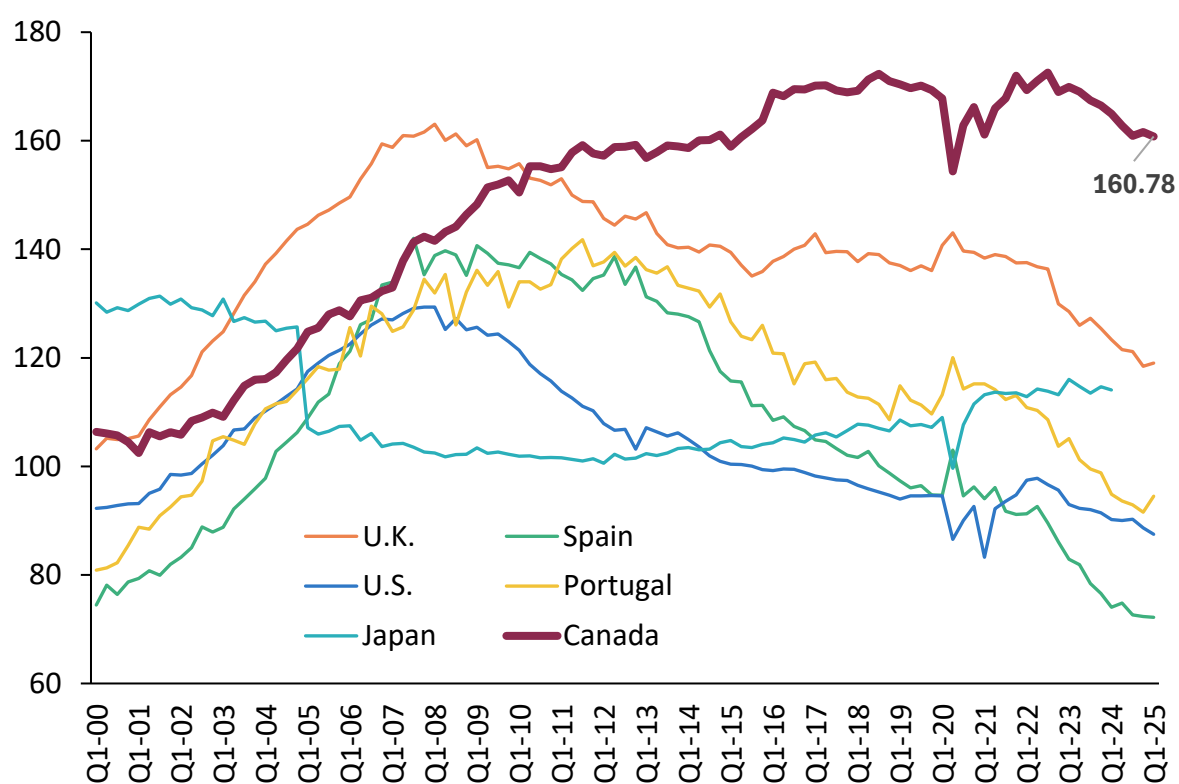
Canada's labour market faces challenges

Unemployment rate, seasonally adjusted, percentage, three-month moving average



Canadian consumers burdened with debt

Household debt as a share of disposable income, percentage

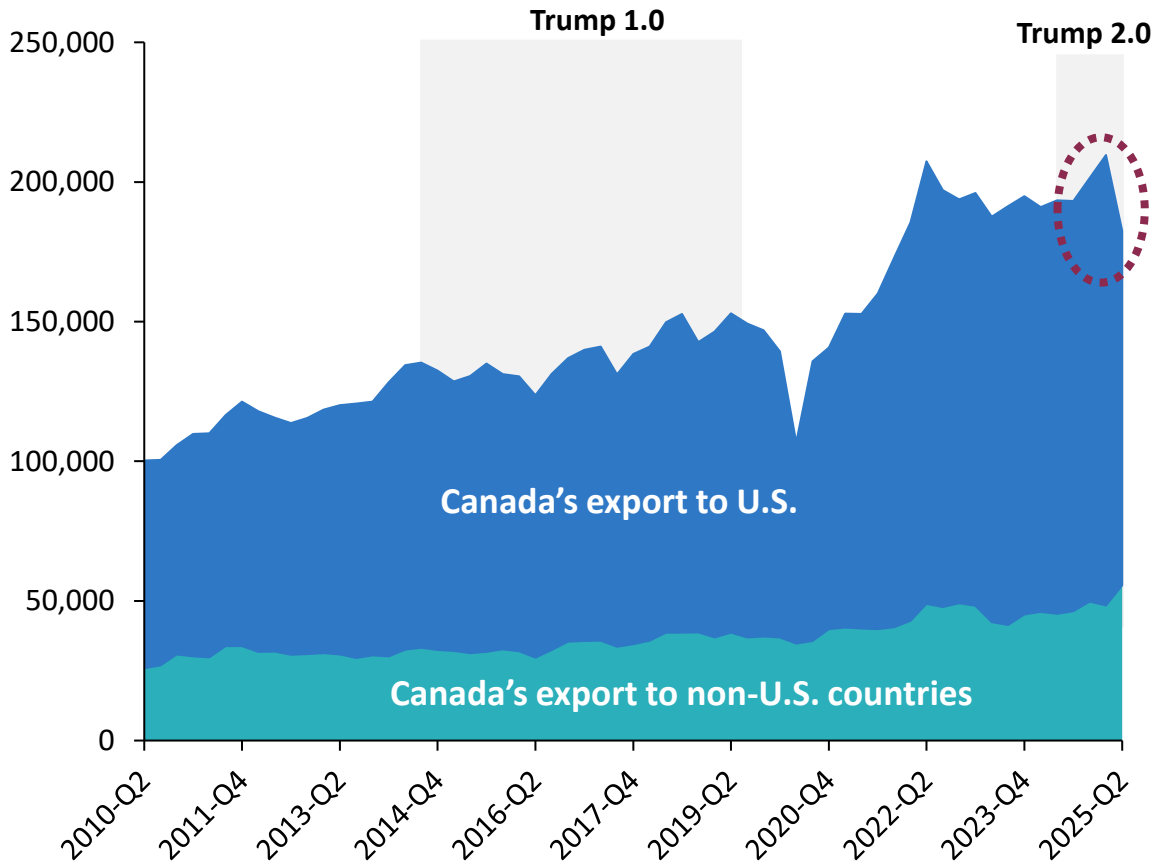


Canada's exports to the U.S. weaken amid trade tensions

Amid ongoing trade tensions, Canadian merchandise trade flows are shifting. In 2025, merchandise exports to the U.S. fell by nearly 3% compared to the first seven months of 2024, while exports to non-U.S. countries rose by almost 14%. Energy exports are under strain—down 14% year-over-year as of July, and 24% lower between January and July 2025.

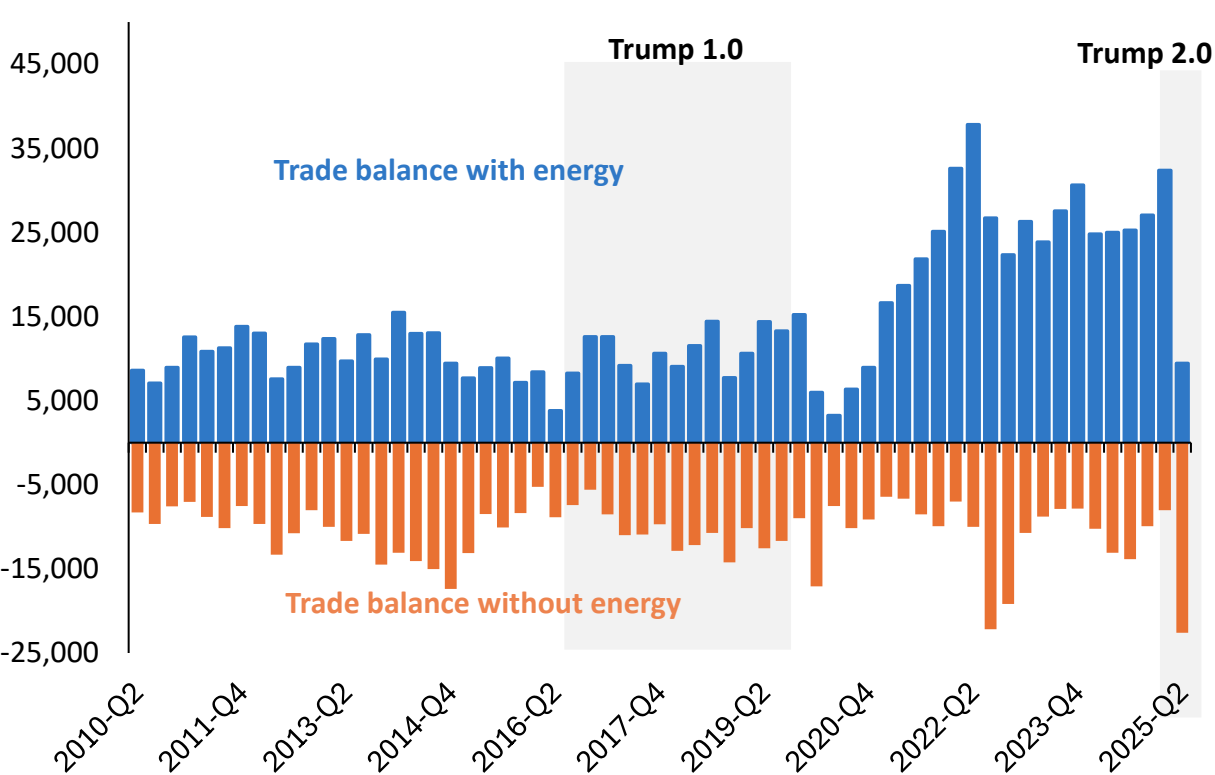
Canada's merchandise export to U.S.

In billions of U.S. dollar



Canada's monthly trade merchandise balance falls into deficit without energy

Not seasonally adjusted in thousands of Canadian dollars

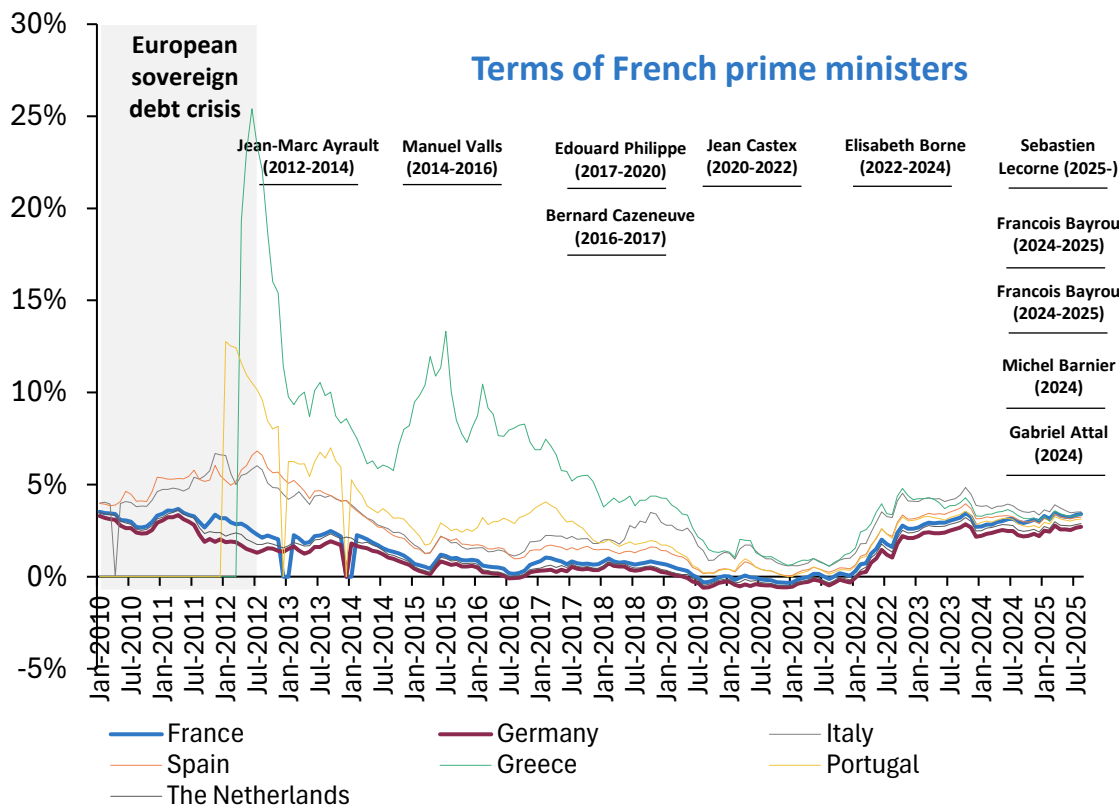


Political turmoil in Europe endures

With the fall of another government in early September, France continues to face political turmoil, weakening its fiscal outlook since 2024. This instability has fuelled investor pessimism, reflected in surging 10-year bond yields—second only to Italy, as both countries grapple with large budget deficits. Following Fitch’s recent downgrade of France’s credit rating, investment has shifted toward Germany, the Netherlands and other European Union markets, as investors seek greater stability.

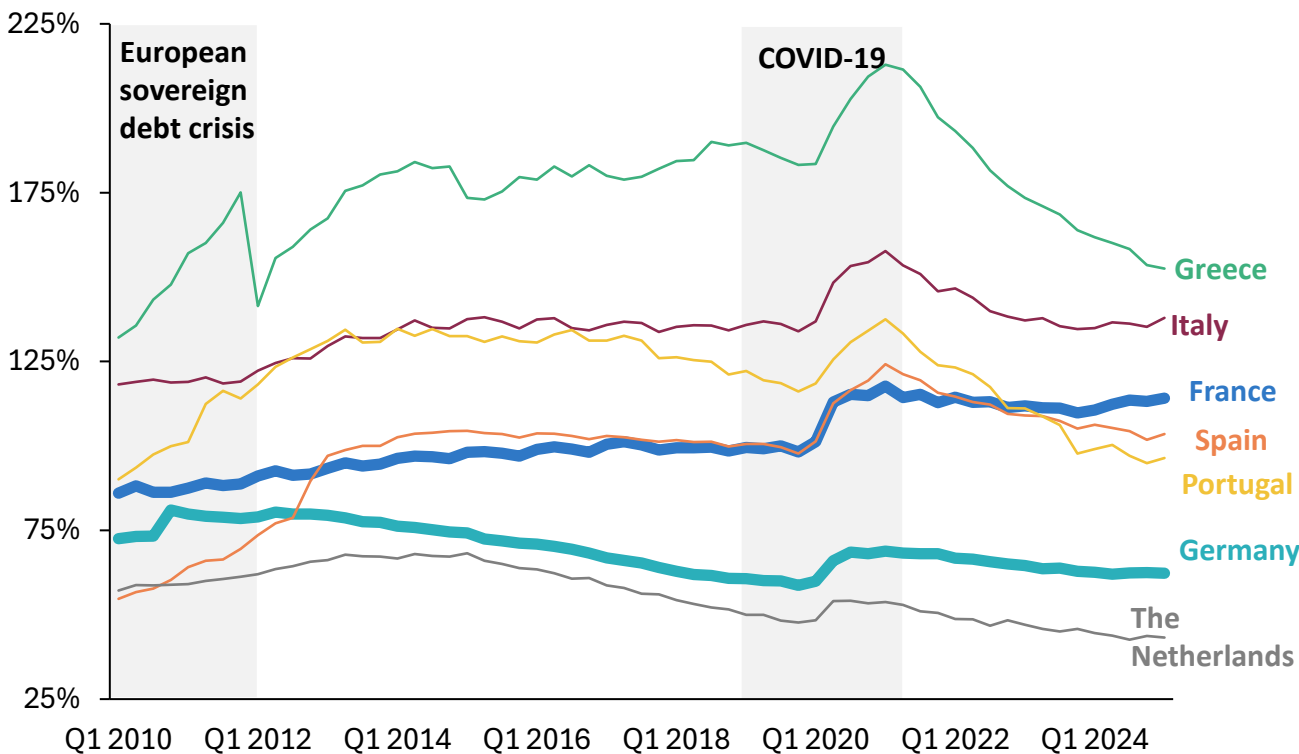
France’s 10-year bond yield diverges from Germany and climbs above Greece

10-year treasury bond mid-yield (average, % per annum)



Widespread budget deficits in Europe in 2025

General government debt as a percentage of GDP

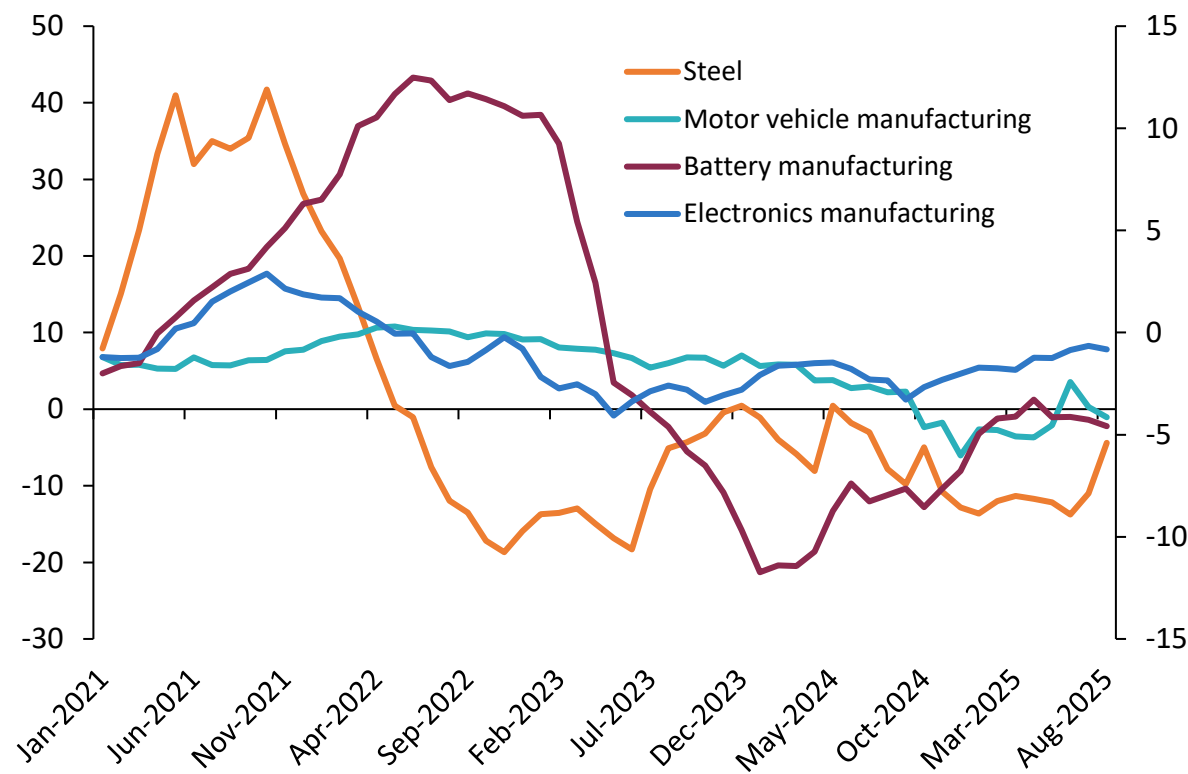


Overcapacity fuels China's exports amid trade tensions

Since the collapse of its property market in 2022, China's domestic spending has remained weak. In response, state-led investment and subsidies have driven overproduction and falling prices in key sectors—especially steel, batteries, electric vehicles (EVs) and solar panels. With excess supply, this overcapacity has translated into growth in China's overall exports. While this has intensified trade tensions with many countries—particularly the U.S.—China has been gradually diversifying its trade relationships.

Prices for producers of China's key sectors have been falling

Producer prices, year-over-year change, percentage, seasonally adjusted



China's exports to non-U.S. markets continue to rise

Goods exports, year-over-year change, percentage, seasonally adjusted



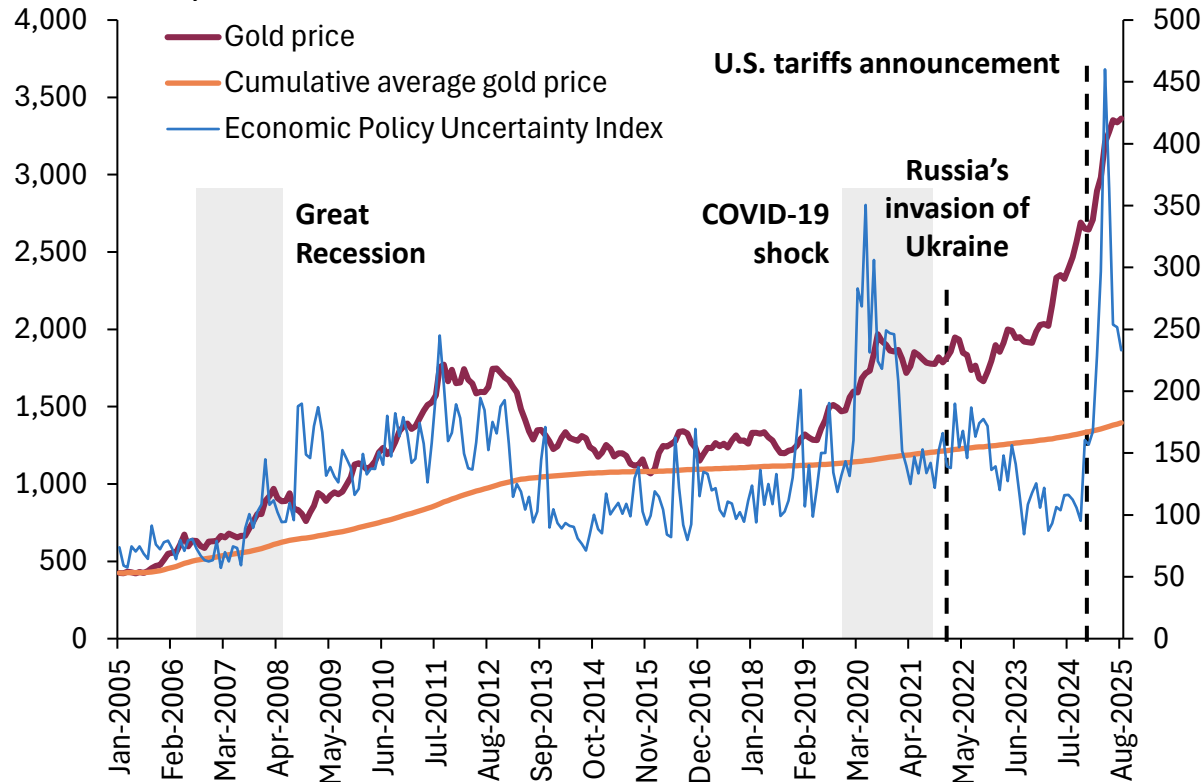
14 Sources: China National Bureau of Statistics, General Administration of Customs China, Haver Analytics, EDC Economics.
Note: On the left chart, it's assumed that solar panels are within the electronics manufacturing category.

Gold prices surge on uncertainty

Gold prices have surged to new highs, driven by persistent global uncertainty and geopolitical tensions. Elevated policy risk has prompted buyers to seek gold as a safe-haven asset. At the same time, central banks—particularly in emerging markets—are accumulating gold at a pace well above recent historical norms, reflecting a shift in reserve management strategies.

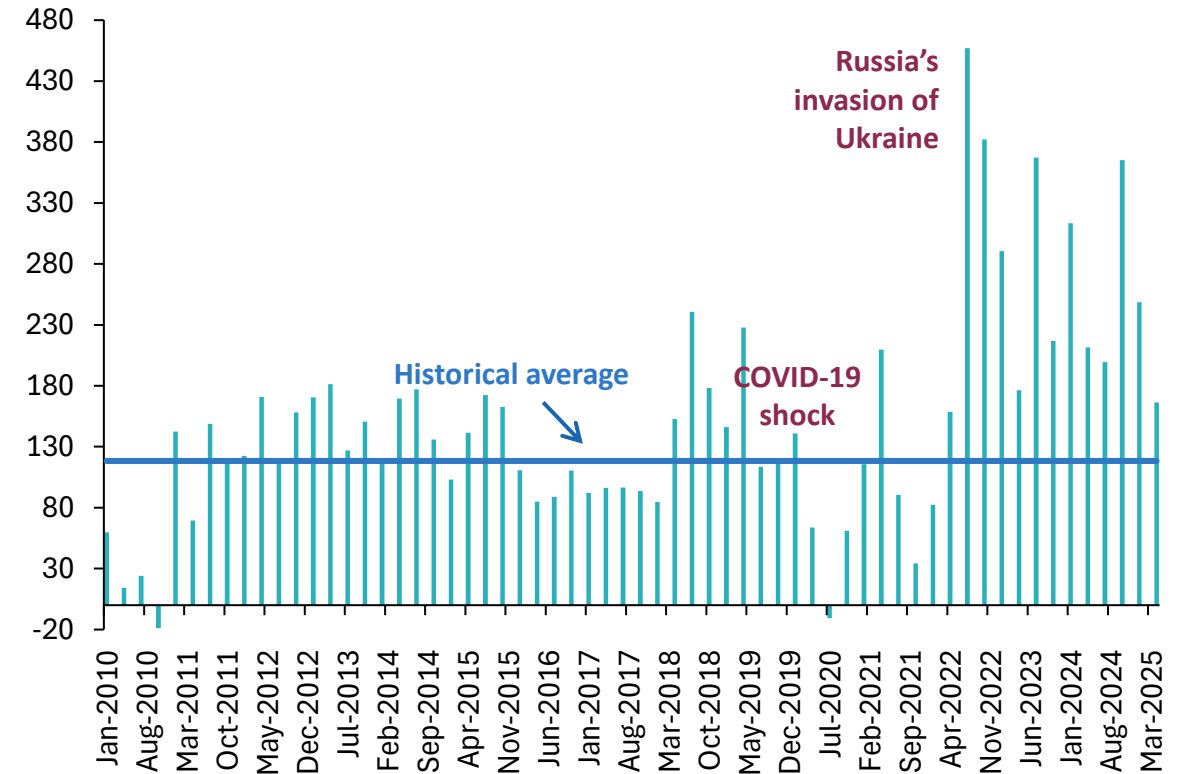
Gold price hits new records amid global uncertainty

LHS: Gold price, monthly average, US\$/troy ounce, RHS: Economic Policy Uncertainty Index



Quarterly central bank gold demand vs. historical average

Demand in tonnes, historical average for 2010-2021



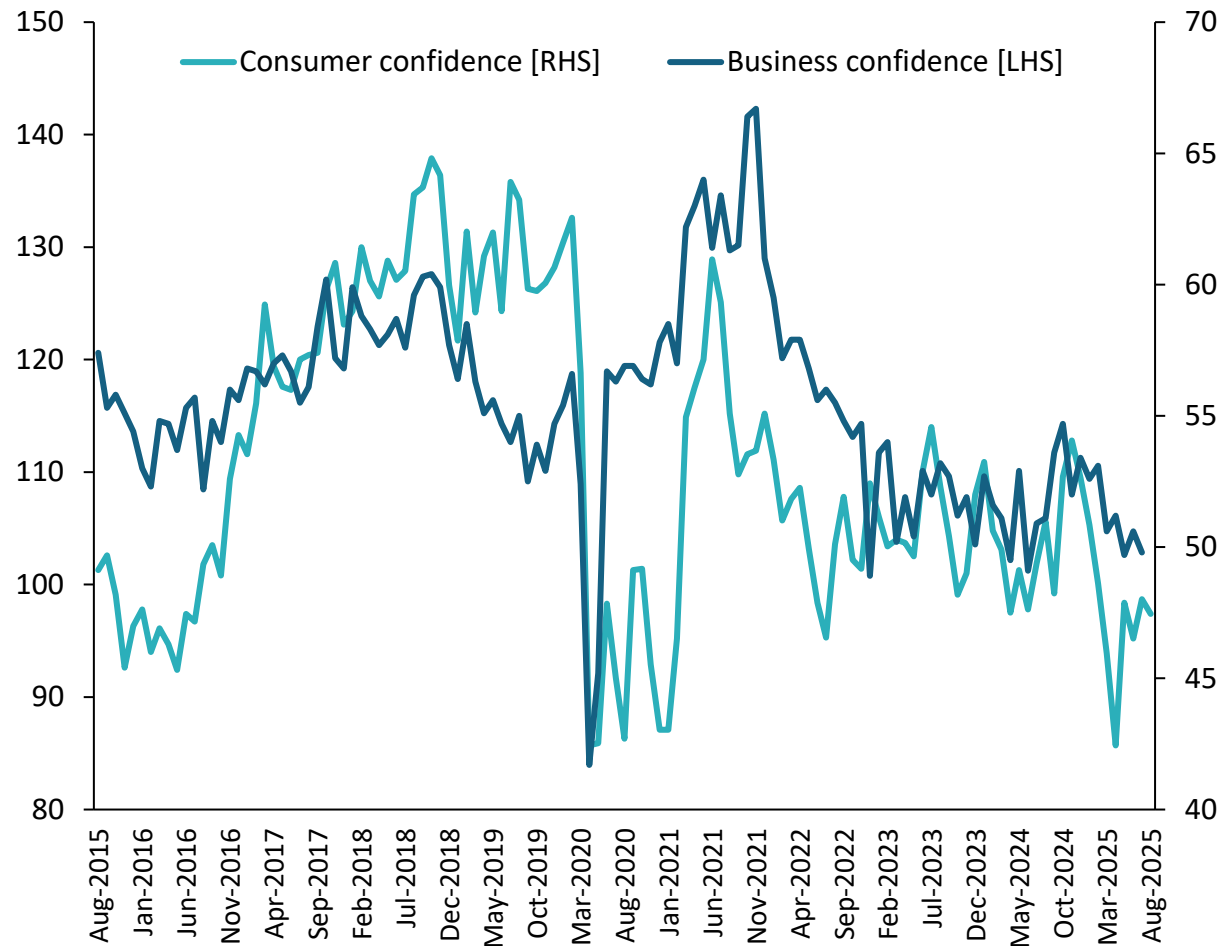
COUNTRY OUTLOOKS

United States

Prince Owusu, senior economist



Business and consumer confidence remain subdued



The U.S. economic outlook is modest heading into next year. The economy showed resilience in the first half of 2025, despite fluctuating tariff policies and adjustments to government spending.

However, the strength of the U.S. consumer will be tested as we approach the holiday season. Inflation expectations are rising, hiring is slowing and consumer confidence remains weak.

Policy uncertainty is still elevated, though slightly improved from last quarter. Fiscal uncertainty remains a key risk, with a new spending plan yet to be passed by Congress.

Frequent swings in tariff and trade policy have left many businesses uncertain, complicating investment and operational decisions. The shifts have weighed on both business and consumer confidence and are impacting the labour market.

While the administration is working to resolve trade irritants with major partners, progress has been slow—leaving near-term business sentiment cautious. After four years of strong growth driven by record investment and robust consumer spending, real gross domestic product (GDP) is expected to decelerate from a post-pandemic pace of 3.6% per year to an average of 1.7% this year and next year.

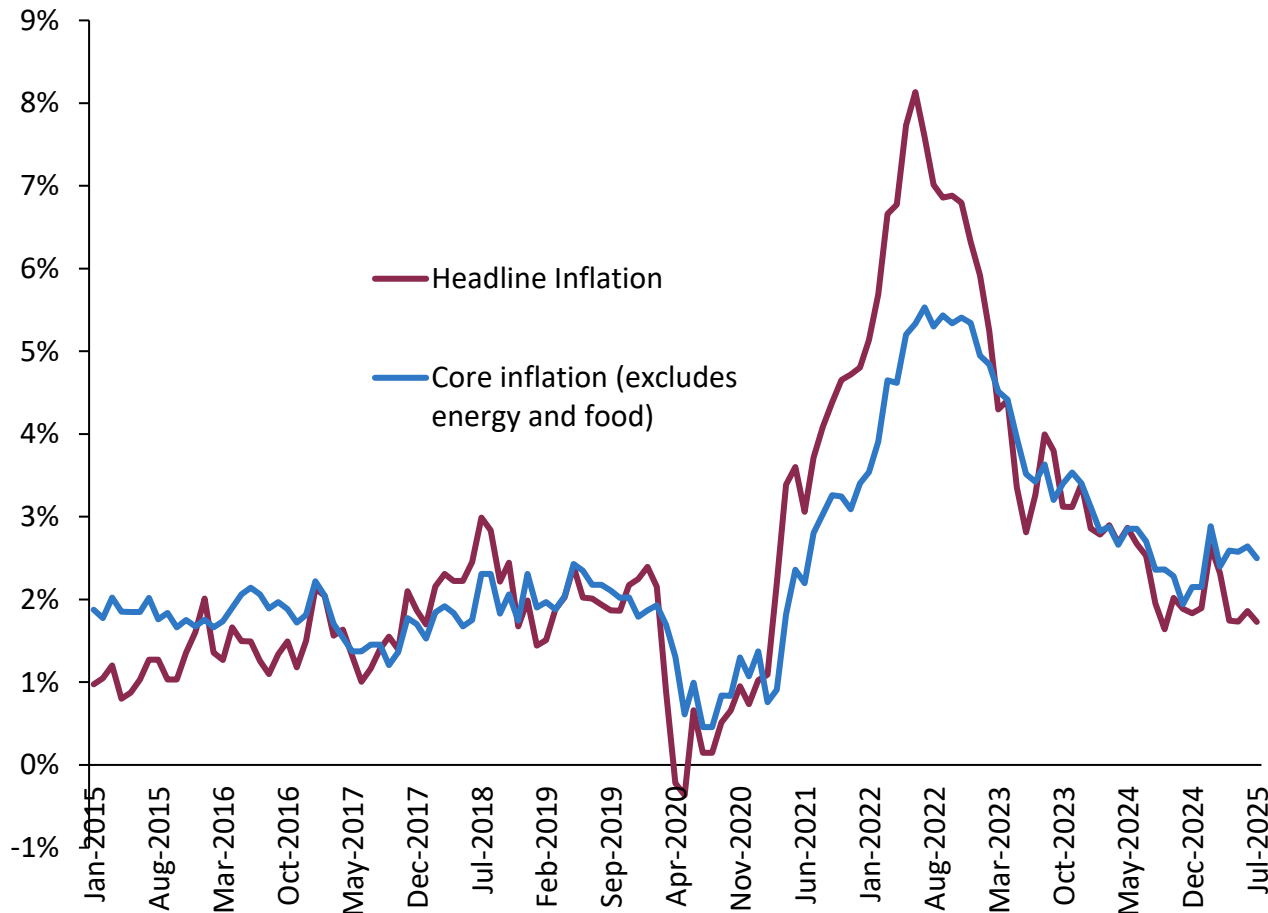
Canada

Prince Owusu, senior economist



Canadian inflation is well-anchored

All items inflation: core inflation, year-over-year, percentage



Canada's economy is navigating a challenging environment shaped by trade tensions and structural headwinds. These pressures were evident in the second quarter of 2025, when the economy contracted. Exports and business investment declined sharply, and the labour market weakened.

Canada continues to face significant tariffs from major trading partners. These include sizable U.S. tariffs on steel, aluminum, copper products, motor vehicles and parts, and lumber, as well as Chinese tariffs on canola, seafood and pork. Additionally, Canadian exports to the U.S. that don't comply with the Canada-United States-Mexico Agreement (CUSMA) face a 35% tariff. Together, these measures represent a major headwind for Canadian exporters.

Tariff-related uncertainty has eroded business and consumer confidence, leading to weak overall demand. This soft demand, combined with the removal of the consumer carbon tax, is helping to keep inflation in check. As a result, the Bank of Canada is expected to cut interest rates to support demand and stimulate the economy.

Canada is likely to enter a recession this year, with GDP growth projected at just 0.9%, followed by a modest recovery of 1% in 2026. Despite these challenges, the Canadian dollar is expected to remain steady, benefiting from uncertainty surrounding the U.S. dollar. The loonie is forecast to average US\$0.72 in 2025 and US\$0.73 in 2026.

Structural challenges—including weak population growth, low productivity due to limited investment and high consumer debt—will continue to constrain Canada's medium-term economic outlook.

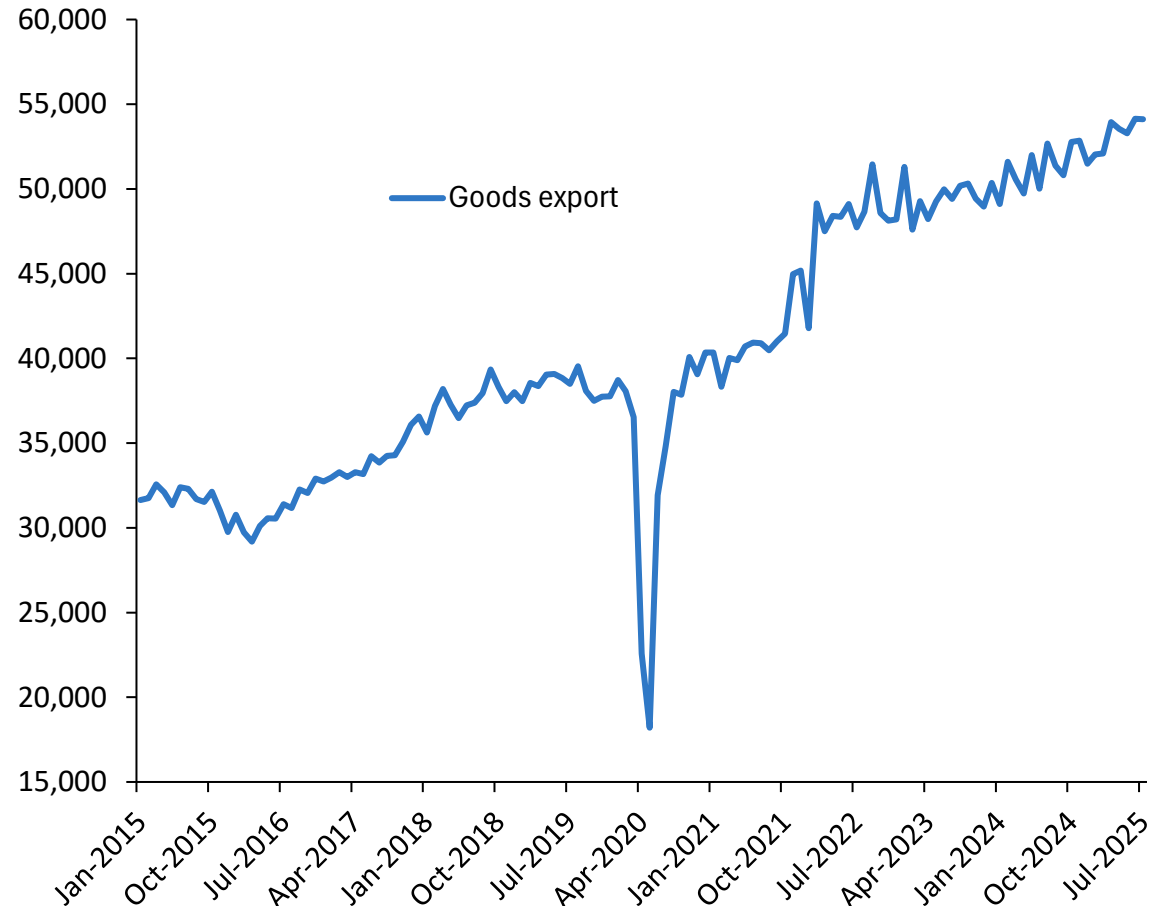
Mexico

Prince Owusu, senior economist



Mexico's economy navigates tariff shock

In millions of U.S. dollar



Mexico's economy has fared better than initially expected in the first half of this year, as it weathers challenging external conditions and weaker domestic demand. While growth is likely to be tepid in the second half, the economy is expected to avoid a recession.

Mexico's exports performance has exceeded expectations due to less stringent tariff measures compared to other countries. Mexican goods that comply with the Canada-United States-Mexico Agreement (CUSMA) enjoy tariff-free access to the United States. However, non-U.S. content in autos and parts, as well as other non-CUSMA-compliant products, are subject to a 25% tariff, and U.S. global sector tariffs apply as well.

While the volume of Mexican exports is keeping the economy out of recession, domestic demand remains shaky. Business investment has struggled over the past two years, as concerns around governance and the rule of law have led to project delays cancellations. Additionally, remittance flows have dried up due to changes in U.S. immigration policy, which have had a notable impact.

A legislated wage increase of 12% this year is helping Mexican consumers manage inflation. Reforms to the labour law brought 1.2 million gig workers into Mexico's social security system in July, which is likely to boost consumption this fall as previously unaccounted economic activity is captured in the data.

Easing inflation is supporting consumers. This, coupled with a weakening labour market, will likely allow the Bank of Mexico (Banxico) to continue cutting its policy interest rate into next year. The value of the peso has benefited from policy uncertainty weakening the U.S. dollar this year. However, next year is expected to see the peso reverse some of its gains. Continued policy easing by Banxico, combined with political risk surrounding the Mexican government and weak economic fundamentals, will likely cause the peso to depreciate.

France

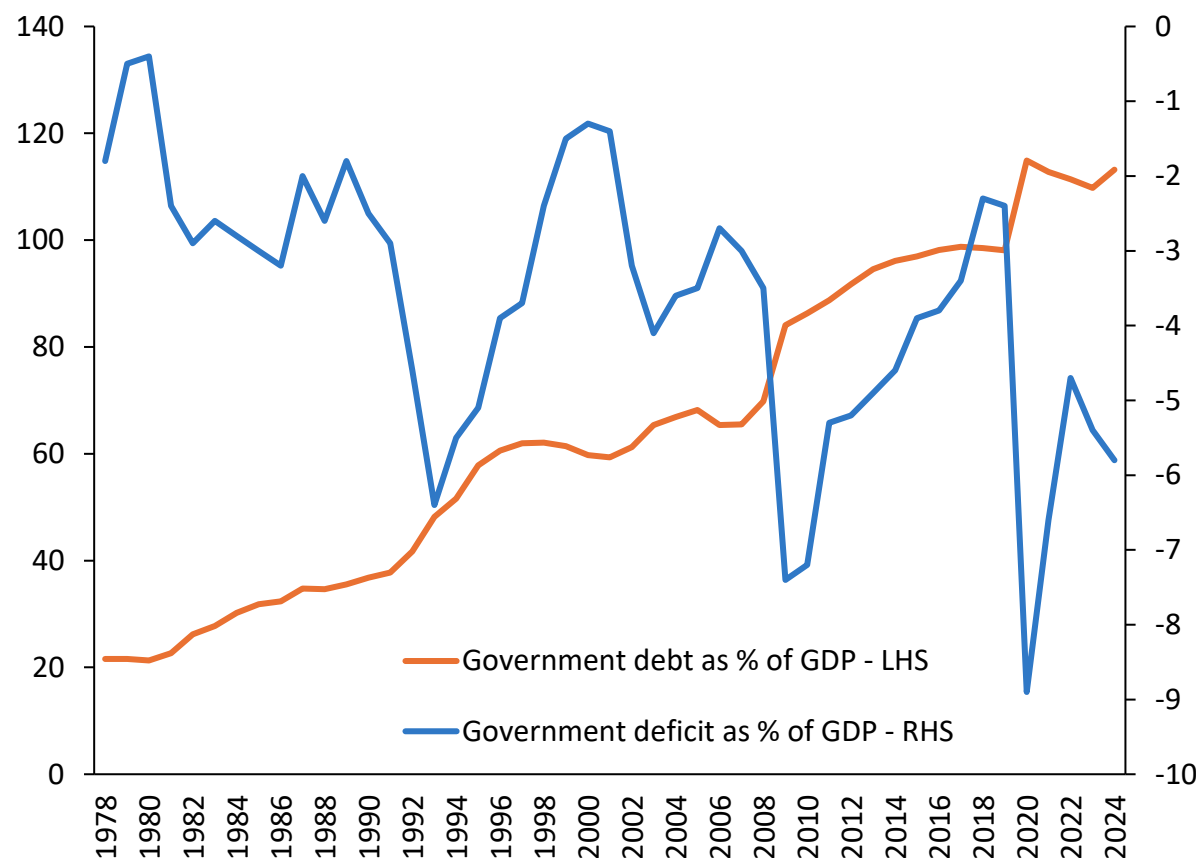
Sasan Fouladirad, country risk analyst



France's economy edges forward amid political, fiscal strain

LHS: Government debt as % of GDP per Maastricht, general government %

RHS: Government deficit as % of GDP per Maastricht, general government %



France's economy grew by 0.3% in the second quarter of 2025, quarter over quarter, driven mainly by inventory accumulation, while underlying domestic demand remained soft. Growth is forecast to remain weak at 0.6% in both 2025 and 2026. A stronger expansion of 1.5% is expected in 2027, supported by greater clarity on trade policy and more stability in domestic politics.

The household saving rate remains elevated at around 19%, limiting consumption despite the easing of inflation. Consumer confidence slipped in August, and along with business confidence both remain below pre-pandemic averages. Overall, household caution, high savings and subdued investment highlight the weakness in domestic demand, with uncertainty linked to tariffs and domestic politics weighing further on activity.

On the political front, France's government collapsed on Sept. 8 after Prime Minister François Bayrou lost a confidence vote tied to his 2026 budget proposal, which aimed to generate €43.8 billion (C\$71.4 billion) in savings. The defeat deepens political uncertainty in France and weighs on market sentiment.

France's exports account for a smaller share of GDP than in Germany or Italy, reducing direct exposure to U.S. tariffs. Ongoing global trade frictions continue to dampen sentiment and investment decisions. Partly offsetting this, Germany's fiscal expansion and commitment to higher defence spending should generate spillovers into France, particularly in aerospace and defence manufacturing. The scale and timing of these benefits will depend on procurement schedules and the ability of French companies to align with German demand, but the defence sector offers one of the few clear external supports to France's outlook.

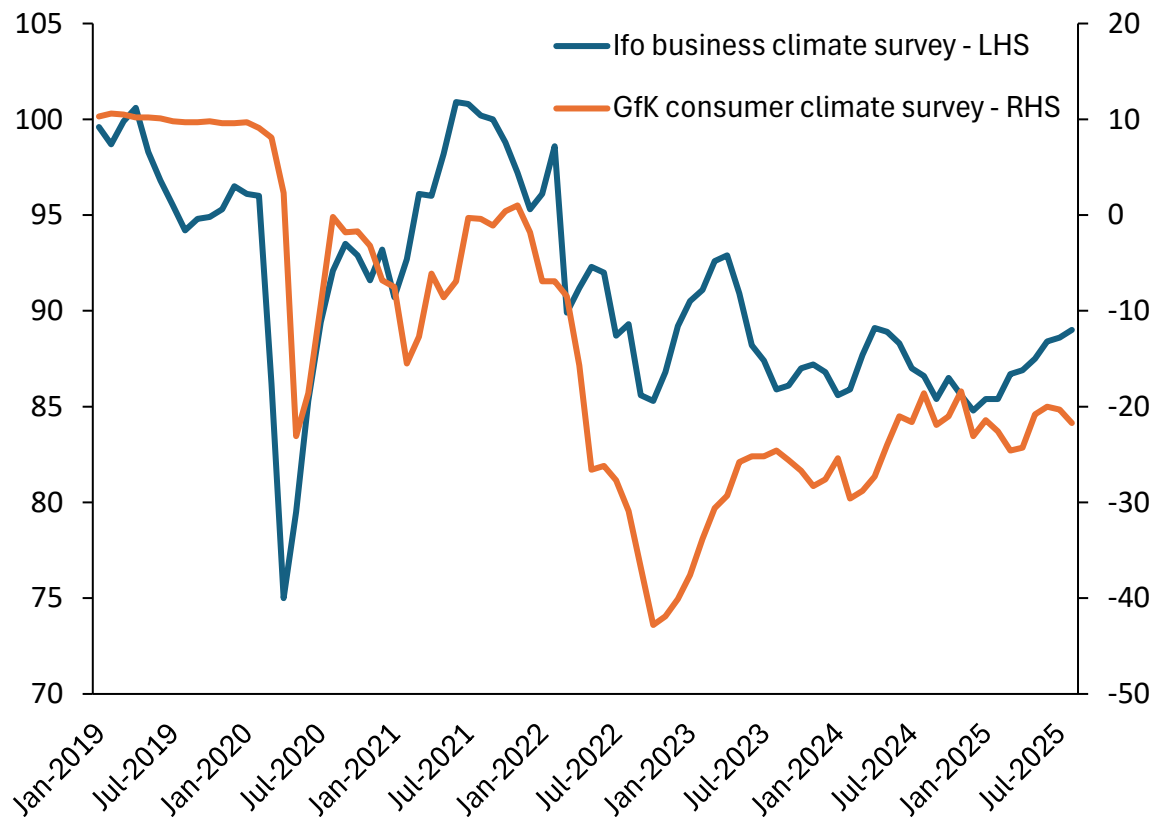
Germany

Sasan Fouladirad, country risk analyst



Business confidence improving amid persistent consumer pessimism

LHS: Seasonally adjusted, 2015=100 RHS: Not seasonally adjusted, % balance



Germany's economy contracted by 0.3% in the second quarter of 2025, following a 0.4% expansion in the first quarter that was largely driven by front-loading ahead of anticipated U.S. tariffs. Against this backdrop, we forecast real GDP to grow by just 0.3% in 2025, gradually rising to 1.3% in 2026 and 2% in 2027, mainly driven by rising fixed investments.

The current environment presents mixed signals. Although still weak, business sentiment has gradually improved in recent periods. However, firms remain cautious as output stagnates. On the household side, private consumption remains subdued despite real wage gains, as consumers delay spending amid weaker income expectations and rising precautionary savings.

External conditions offer little relief. The full impact of new U.S. tariffs—set at 15% on a broad range of goods including automobiles and parts—is expected to hit in the second half of 2025, weighing heavily on Germany's export-oriented manufacturing base. German producers also face mounting competitive pressure from China, particularly in electric vehicles, batteries and cleantech machinery.

Germany's economic performance has been held back in recent years by structural challenges. Labour shortages linked to demographic trends have limited industrial output, while high energy costs and underinvestment in infrastructure, digital systems and public services have eroded competitiveness.

The government launched a €500-billion (approximately C\$725 billion) investment program earlier this year aimed at upgrading infrastructure and advancing climate-related projects, which is expected to lift growth from 2026 onwards. This includes improvements to rail networks, roads and energy systems, alongside increased defence spending. The government is also preparing the Germany Fund, a major public-private investment initiative. The fund aims to accelerate financing for startups, critical industries and innovation projects, pushing investment beyond traditional budgetary limits.



Sources: Haver Analytics, Ifo-Institut für Wirtschaftsforschung, GfK Marktforschung, Haver Analytics

Note: 2015=100 refers to index with base year 2015 set to 100

Ifo: Ifo Institute for Economic Research

GfK Marktforschung, Market research company

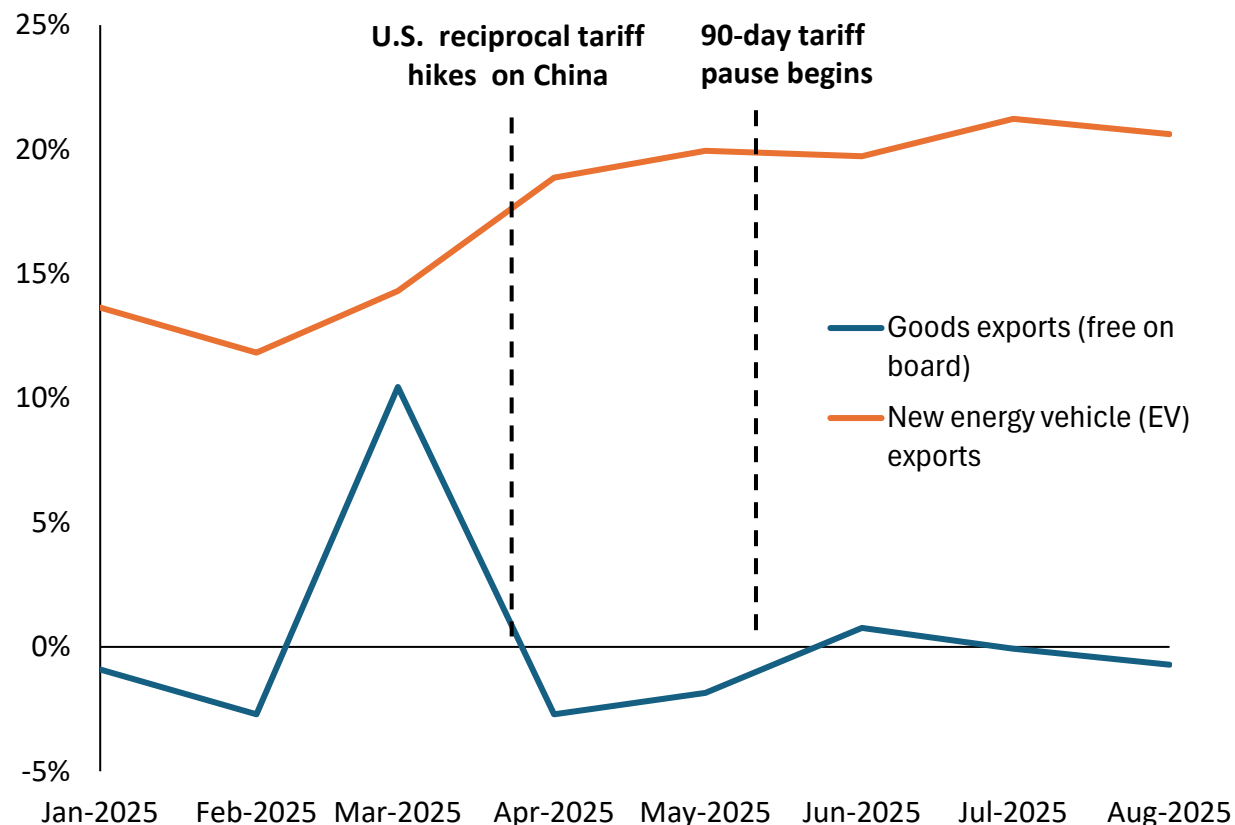
China

Susanna Campagna, principal



Goods exports slowing, but EV exports remain robust

Percentage change, month over month



China is on track to reach its target of “around 5% growth” for 2025, thanks to strong export resilience in the first half of this year. This was driven by a combination of frontloading of orders and diversification of exports to other markets as U.S. exports contracted.

Recent data shows that goods exports are beginning to plateau, and we expect a gradual softening of overall goods exports in the second half of the year. However, electric vehicle (EV) sales have shown consistent growth and resilience despite global tariff uncertainty, with China’s technology exports also continuing to outperform expectations. Our GDP forecast has been revised up to 4.8% for 2025, slowing to 4.3% in 2026.

Targeted stimulus is likely to continue as China grapples with deflation, soft consumer demand and property sector woes. While retail sales have remained flat, the expanded “trade-in” subsidies program for 2025 has lifted auto, furniture and appliance sales. However, the program doesn’t represent a long-term fix to China’s deeper consumer demand slump. We expect boosting consumer demand will feature prominently in China’s 15th Five-Year Plan, expected to be released in October.

Looking ahead, China will continue to ramp up its advanced manufacturing and technology sectors while also moving forward with its recently announced “anti-involution campaign” to address overproduction and falling prices across many industrial sectors.

Upside risks to our forecast include a U.S.-China trade deal that significantly eases current tariffs against China. Key downside risks include spillover from the property sector crisis into the financial sector, an escalation of current geopolitical tensions or new tariffs targeting specific sectors or commodities that affect Chinese exports.

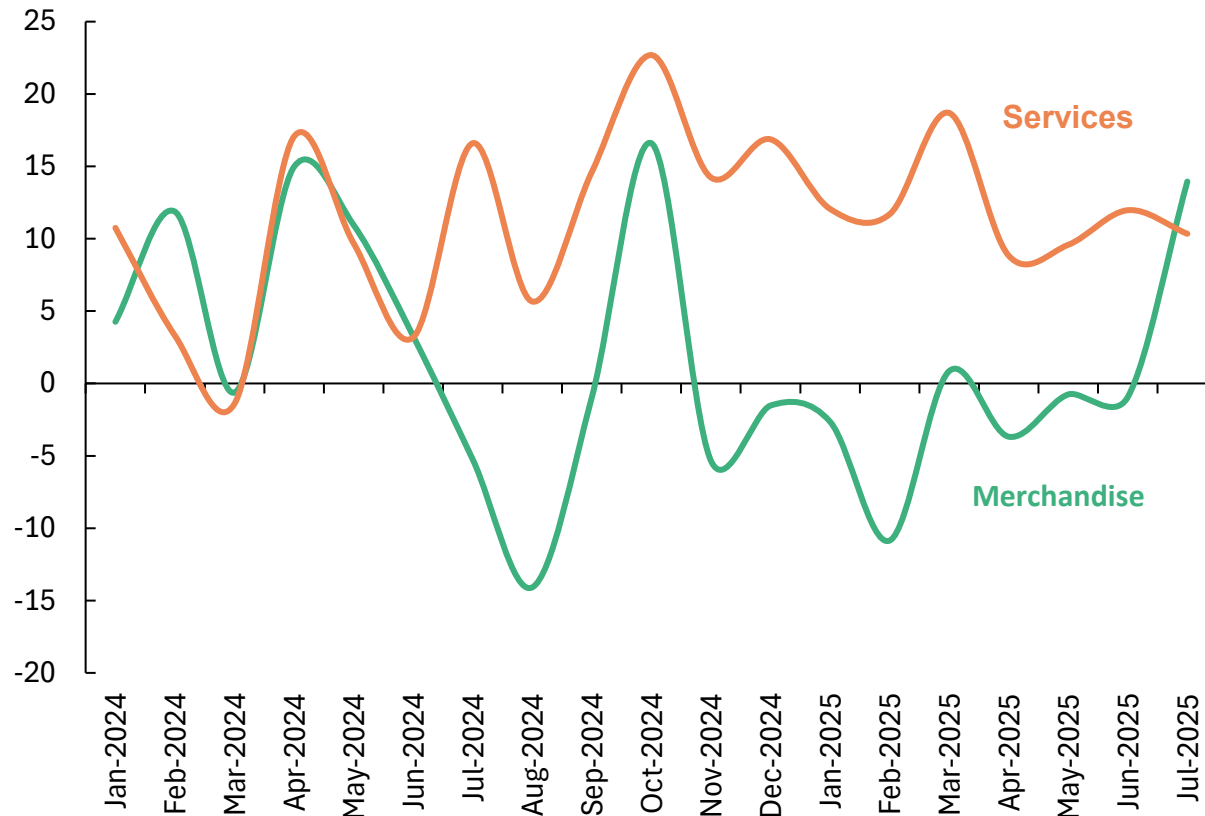
India

Nadeem Rizwan, country risk analyst



Services export to anchor overall export stability

Growth, year-on-year



India's growth momentum remains resilient despite global trade uncertainty. EDC Economics has revised its growth forecast slightly upward to 6.6% for 2025 (fiscal year 2026), reflecting strong performance in the second quarter. The forecast for 2026 (fiscal year 2027) remains unchanged at 6.5%.

In the second quarter of 2025, which corresponds to the first quarter of fiscal year 2026, India's economy posted solid, broad-based gains. On a quarter-over-quarter, seasonally adjusted basis, private and government consumption led the way, supported by easing inflation and increased spending. Investment growth was moderate, while net trade dragged on growth as imports outpaced exports.

Looking ahead, momentum is expected to hold. Private consumption—the primary driver of growth—is likely to remain stable, supported by low inflation and rationalization of the goods and services tax (GST). Public sector capital spending will continue to play a key role, while private investment is expected to stay subdued amid global economic uncertainty and weak external demand. Government consumption should remain steady, although its contribution may taper off.

Elevated U.S. tariffs on Indian goods are expected to dampen merchandise exports, but the impact will likely be contained given India's relatively low reliance on goods trade. Meanwhile, service exports—particularly to the U.S.—are expected to remain robust, providing continued support to overall export performance.

Renewed inflationary pressures—stemming from domestic or external factors—pose a downside risk. Conversely, a swift resolution of tariff-related uncertainties could present an upside risk.

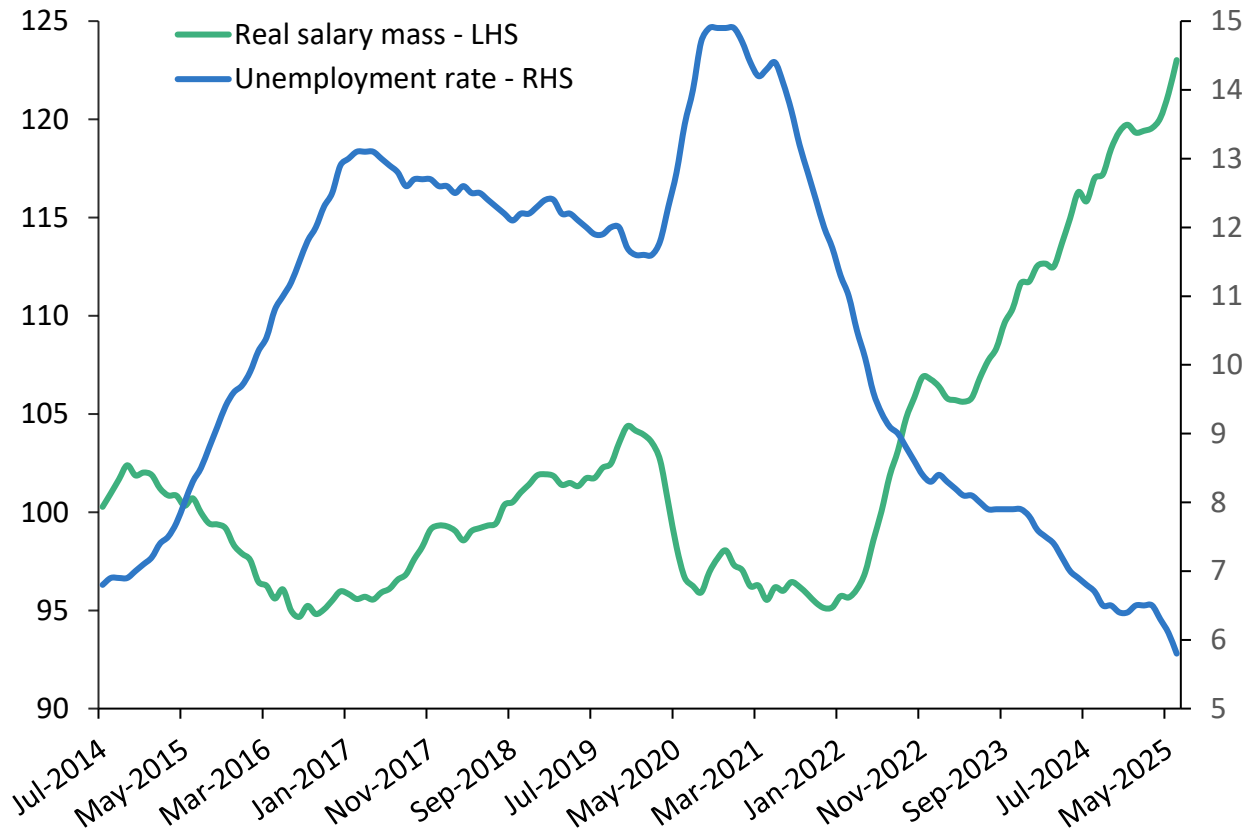
Brazil

Daniel Benatuil, senior country risk analyst



Domestic demand resilience to cushion impending slowdown

Percentage, Index 2015 = 100



Sources: Brazilian Institute of Geography and Statistics, Haver Analytics, EDC Economics

Notes: Data are based on three-month moving averages. Real earnings mass is calculated as average real monthly earnings multiplied by people employed.

Index 2015=100: index with base year 2015 set to 100

Brazil's economy continues to show resilience, supported by strong domestic demand and a record-breaking labour market. This strength underpins our above-consensus forecast of 2.6% growth in 2025. However, we expect momentum to slow in the coming quarters, with growth easing to 1.6% in 2026 due to global headwinds and the delayed impact of tight financial conditions.

Following the bumper-crop-driven spike in early 2025, Brazil's economy grew 0.4% in the second quarter as expected spillover effects from supply chains into services took hold. Growth is being driven by strong activity in income-sensitive and export-oriented sectors—particularly agriculture and extractives—while interest-rate sensitive sectors continue to struggle under high borrowing costs. Domestic demand remains resilient, supported by solid real wage gains, ongoing fiscal and para-fiscal measures and sizeable court-ordered government debt repayments, which are expected to boost third-quarter growth. That said, rising borrowing costs will likely weigh on spending over the next year.

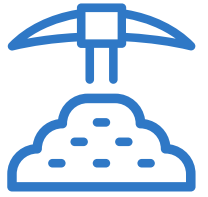
Business investment faces significant challenges amid high interest rates and weakening confidence. The upcoming general elections in late 2026 are expected to heighten policy uncertainty, especially given ongoing fiscal concerns. Punitive U.S. tariffs on Brazilian exports reflect broader geopolitical risks, although their impact should be limited thanks to broad tariff exceptions and Brazil's relatively low direct exposure to the U.S. market. Despite the price volatility, the outlook for production and exports in agriculture, energy and mining remains a bright spot.

The central bank is likely finished raising its policy rate, despite inflation remaining above target, and is expected to begin cutting rates in early 2026. Fiscal policy is expected to stay loose ahead of the elections. However, fiscal sustainability remains the key domestic risk to Brazil's outlook. On the external front, weaker global demand and falling commodity prices—driven by trade tensions and rising geopolitical threats—pose additional risks.

COMMODITY OUTLOOKS

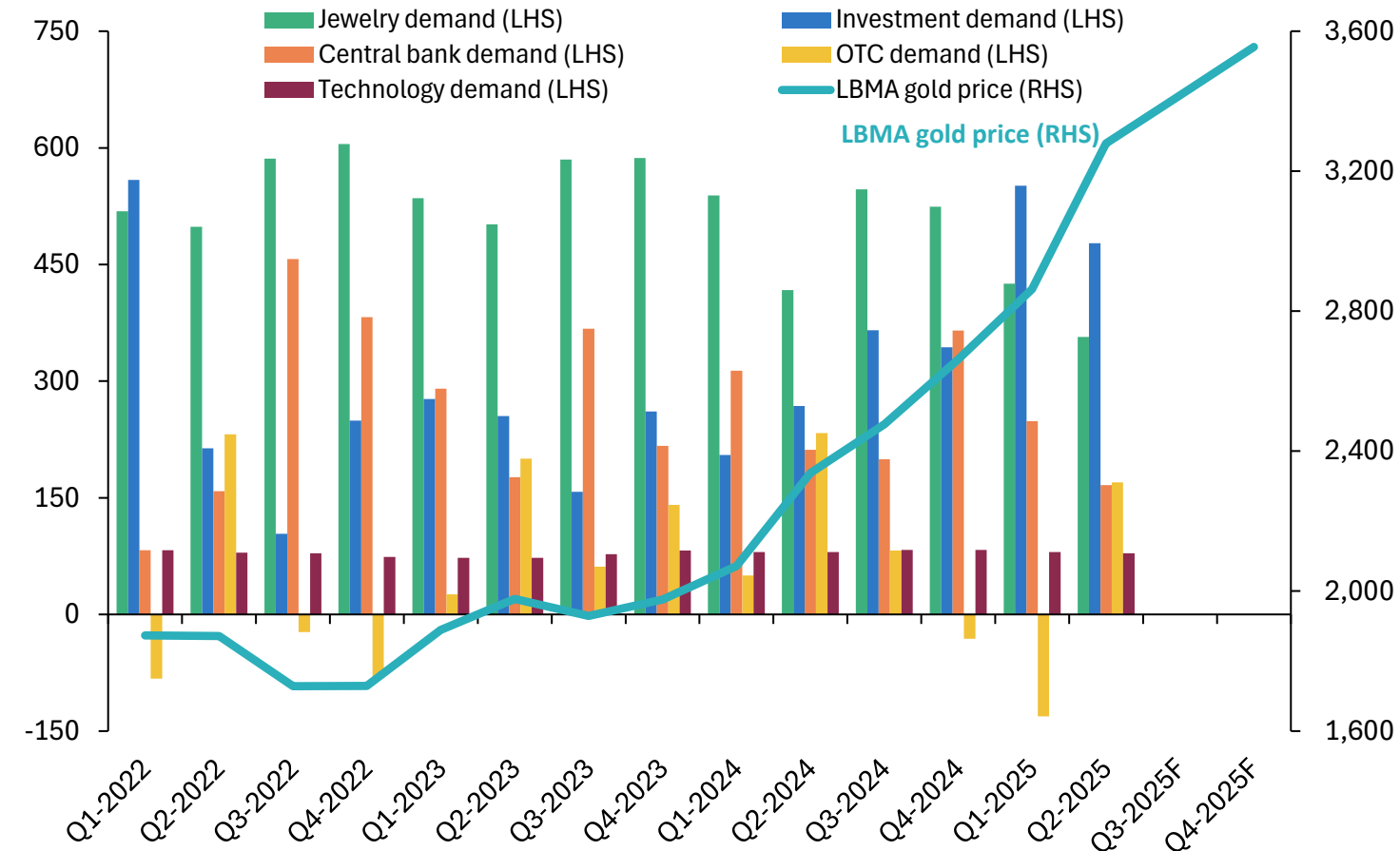
Gold

Karicia Quiroz, economist



Gold price continues to set new records, driven by rising investment demand

LHS: Gold demand (tonnes) by component; RHS: Gold price (US\$ per troy ounce)



Gold has set new highs in 2025, with daily prices in September surpassing US\$3,600 per troy ounce for the first time. We forecast the price to average US\$3,278 per troy ounce in 2025 and US\$3,469 per troy ounce in 2026.

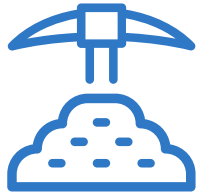
Geopolitical and trade policy uncertainty will continue to support gold prices through 2026, alongside four Federal Reserve (Fed) rate cuts during this period. Investment demand—the largest component of gold demand in the second quarter of 2025—rose 78% year-over-year. This momentum is expected to continue into 2026, driven by strong returns and gold's safe-haven appeal, particularly in gold bars and gold-backed exchange-traded funds.

However, the surge in gold price is weighing on other demand components—namely jewelry and central bank purchases—which will begin to exert downward pressure on prices after 2026. While central bank demand remains above historical averages, recent data shows a slowdown in quarterly purchases since late 2024. Jewelry demand has also been declining steadily since the third quarter of 2024. These trends are expected to persist into 2026 and contribute to a price decline in 2027.

We forecast the gold price to fall from US\$3,469 per troy ounce in 2026 to US\$3,169 per troy ounce in 2027.

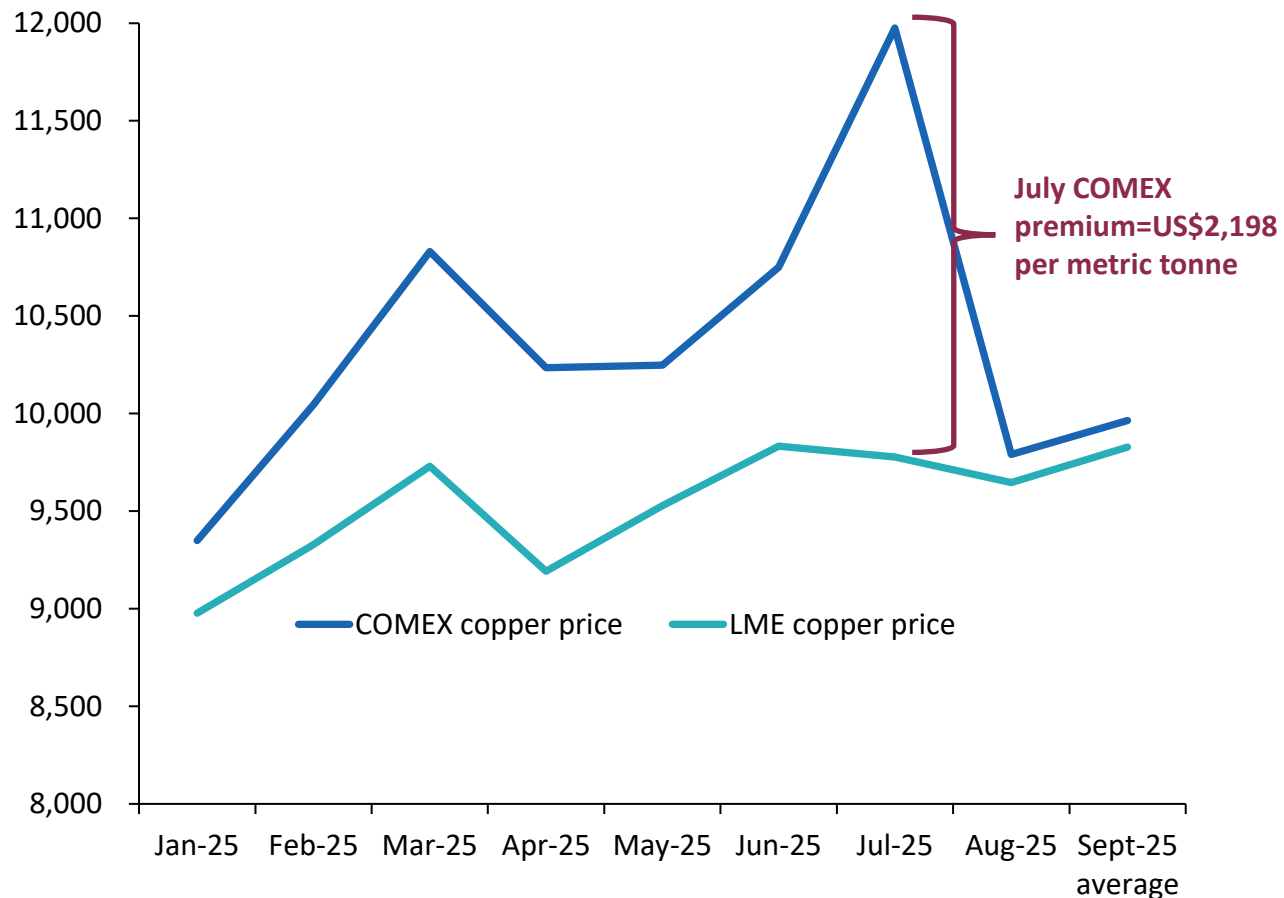
Copper

Karicia Quiroz, economist



Copper price expected to rise despite volatility

US\$ per metric tonne



Amid ongoing price volatility, the copper price is expected to trend upward. While trade policy uncertainty will continue to influence copper markets in 2025 and 2026, structural factors are also at play, supporting price growth over the medium and long term. We forecast the copper price to reach US\$9,559 per metric tonne in 2025 and US\$9,652 in 2026.

The copper price rose to US\$9,523 per metric tonne in the second quarter of 2025, a 2% increase over the previous quarter. The period was marked by volatility following the implementation—and subsequent 90-day pause—of President Donald Trump’s reciprocal tariffs and the U.S.-China truce. In the third quarter, Trump’s July announcement of an Aug. 1 tariff on U.S. copper imports triggered a surge in domestic copper stockpiling, pushing the U.S.-based Commodity Exchange (COMEX) price to record a monthly high. The COMEX price reached its largest-ever premium over the London Metal Exchange (LME) copper price in July. By late September, the LME copper price began to stabilize as uncertainty eased, and the tariffs excluded copper products critical to U.S. imports.

Beyond trade policy, structural factors will continue to shape copper prices. Global demand is rising, while supply from new mines remains limited, pointing to a potential shortage. However, China’s weaker economic outlook will weigh on price growth, especially given its outsized role in global copper consumption—accounting for 57%, according to Wood Mackenzie. After a 7.9% year-over-year increase in 2024, copper price growth is expected to slow to 4.5% in 2025 and 1% in 2026.

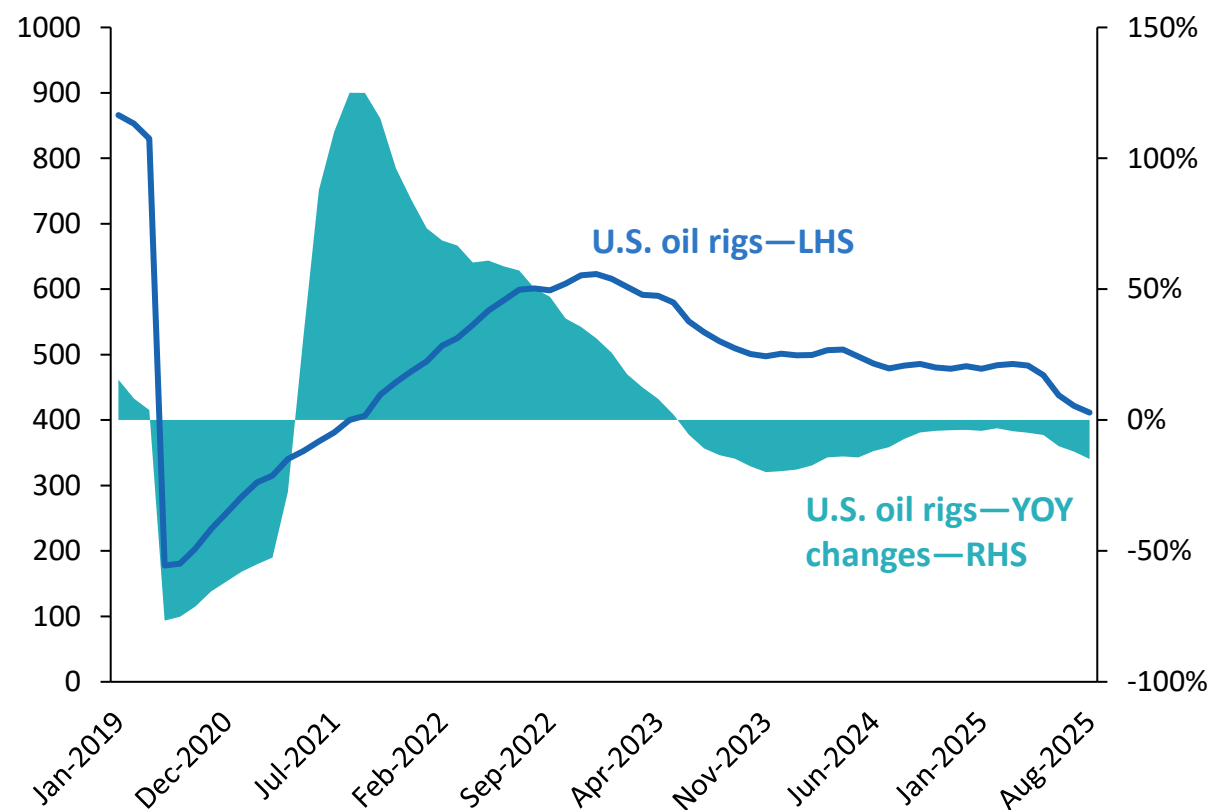
Oil

Zhenzhen Ye, economist



Amid market uncertainties, one thing is certain: U.S. shale isn't drilling

U.S. oil rigs (LHS) and year-over-year changes (RHS)



Crude oil prices have declined by roughly 15% year-to-date, averaging around US\$67 per barrel, amid sluggish global demand and an oversupplied market. This price weakness helps explain why U.S. shale producers haven't responded to President Donald Trump's call to "Drill, Baby, Drill."

The United States, which accounts for 13% of global oil supply, is one of the world's largest swing producers. However, U.S. producers face higher breakeven costs than other swing producers. According to the *Dallas Fed Energy Survey* (March 2025), the average breakeven price for U.S. shale drilling is US\$65 per barrel—nearly double that of onshore Middle Eastern producers. Further compounding cost pressures, President Trump's tariffs on steel imports have driven up prices for fracking equipment, pushing production costs even higher. As margins shrink, producers are scaling back: U.S. oil rig counts fell to 411 in August, the lowest level since September 2021.

Adding to the bearish outlook, OPEC+ announced on Sept. 7 an increase in its production quota by 137,000 barrels per day for October, despite an already oversupplied market. This move is expected to place additional downward pressure on oil prices. As a result, further reductions in U.S. drilling activity are likely in the coming quarters, with higher-cost producers expected to be the first to cut back.

EDC FORECASTS

Annual real GDP growth

Global Economic Outlook (Annual % change)	2024	2025 ^F	2026 ^F	2027 ^F	2028 ^F	2029 ^F
Developed countries	1.8	1.3	1.4	2.0	2.0	1.7
Canada	1.6	0.9	1.0	3.1	2.5	1.5
United States	2.8	1.7	1.7	2.5	2.6	2.1
Eurozone	0.9	1.2	0.8	1.6	1.5	1.3
Germany	-0.5	0.3	1.2	2.0	1.4	1.0
France	1.1	0.6	0.6	1.5	1.4	1.2
Developing countries	4.3	3.8	4.0	4.4	3.9	3.5
China	5.0	4.8	4.3	4.5	3.5	3.1
India	6.5	6.6	6.5	7.0	6.5	6.0
Brazil	3.0	2.6	1.6	1.9	2.0	1.9
Mexico	1.2	0.9	1.3	1.8	2.0	2.1
World	3.3	2.7	2.9	3.4	3.1	2.8

Currencies and interest rates

Global Economic Outlook		2024	2025 ^F	2026 ^F	2027 ^F	2028 ^F	2029 ^F
Currencies	Exchange rate						
U.S. dollar	USD per CAD	\$0.73	\$0.72	\$0.73	\$0.74	\$0.75	\$0.77
Euro	USD per EUR	\$1.08	\$1.13	\$1.17	\$1.17	\$1.17	\$1.17
Euro	CAD per EUR	\$1.48	\$1.57	\$1.60	\$1.59	\$1.55	\$1.52
Interest rates, annual average							
Bank of Canada (<i>Overnight target rate</i>)		4.55	2.69	2.00	2.16	2.73	2.75
U.S. Federal Reserve (<i>Fed funds target rate—Mid-point</i>)		5.19	4.37	3.81	3.21	3.13	3.13
European Central Bank (<i>Policy interest rate</i>)		4.14	2.41	2.15	2.15	1.75	1.75

Commodity prices

Global Economic Outlook	2024	2025 ^F	2026 ^F	2027 ^F	2028 ^F	2029 ^F
Brent Crude Spot , <i>USD/barrel (bbl)</i>	\$80.5	\$68.3	\$64.3	\$66.3	\$68.1	\$69.9
West Texas Intermediate , <i>USD/bbl</i>	\$76.1	\$64.6	\$60.8	\$62.8	\$64.6	\$66.4
Western Canada Select , <i>USD/bbl</i>	\$61.7	\$52.5	\$47.8	\$49.3	\$51.1	\$52.9
Gold , <i>USD/troy ounce</i>	\$2,387	\$3,278	\$3,469	\$3,169	\$2,954	\$2,737
Copper , <i>USD/tonne</i>	\$9,148	\$9,559	\$9,652	\$9,784	\$9,962	\$10,164

Disclosure

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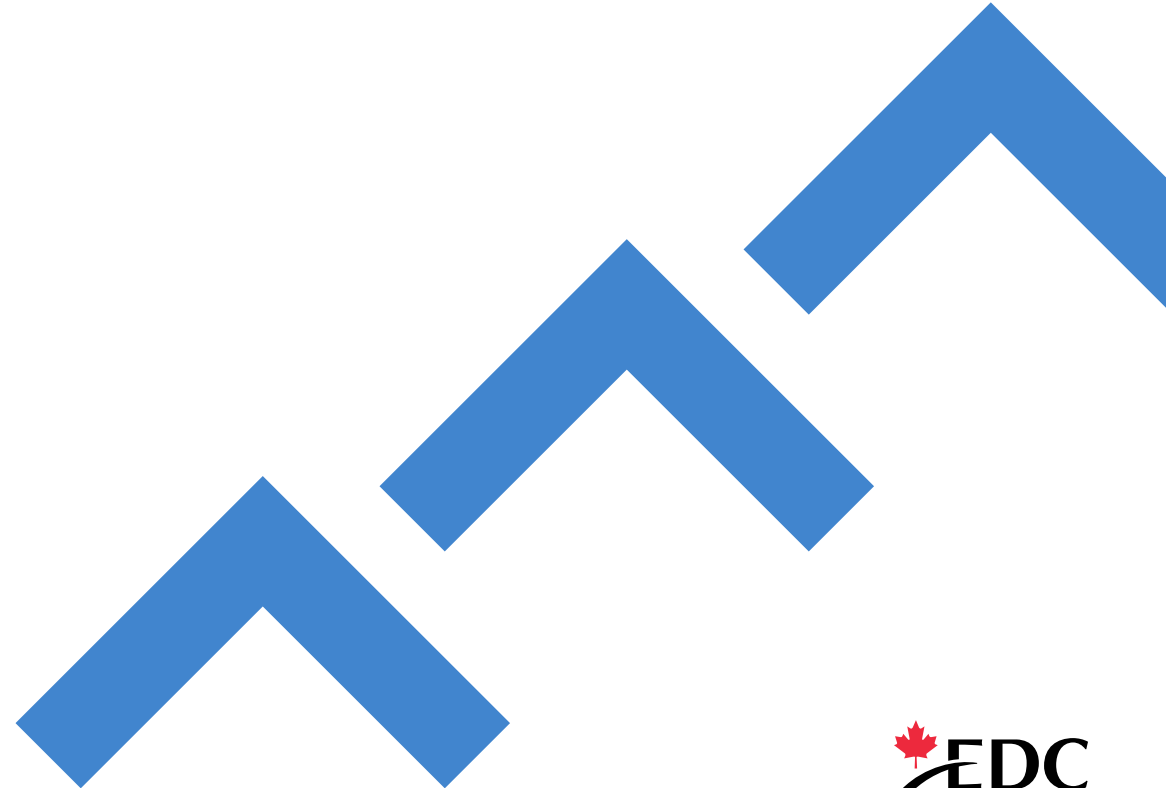
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Media inquires

1-888-222-4065

media@edc.ca



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