Global Economic Outlook

Economic impact of U.S. tariffs and global trade tensions

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

EDC Economics
July 2025

Canada

EDC

CONTENTS

Executive summary

Economic impact of U.S. tariffs and global trade tensions

Stuart Bergman
Vice-president and chief economist

As U.S. tariffs details emerged, replacing the uncertainty and speculation that had been building since President Donald Trump's inauguration, we hoped to publish our second-quarter projections amid a backdrop of clarity. The U.S. and China settled on a trade framework, and deals were inked with the United Kingdom and Vietnam.

Economic and geopolitical uncertainty

However, as the various 90-day tariff pauses lapsed, new tariffs announced by President Trump highlighted ongoing trade volatility and the continued uncertainty characterizing the economic outlook.

The European Union (EU) is racing to clinch a deal, signalling a willingness to accept a 10% universal tariff with exemptions, while facing threats of up to 50% tariffs. Beijing, meanwhile, warned against reopening trade tensions, threatening retaliation on any country that excludes China from supply chains, in a bid to curry favour with the U.S.

In Canada, Prime Minister Mark Carney scrapped the digital services tax affecting large U.S. tech companies after a brief termination of bilateral negotiations by President Trump. Optimism for an agreement remains, though certain tariffs are still in place.

Geopolitical frictions continue with Russia's full-scale invasion of Ukraine now in its third year, Middle East conflicts, tensions across the Taiwan Strait and the recent escalation between the U.S. and Iran. In the context of all this uncertainty, EDC Economics forecasts global growth of 2.6% in 2025 and 3% in 2026, the slowest pace recorded in consecutive years since 2001-2002.

U.S. economic performance and Federal Reserve actions

U.S. imports surged early in the year, as companies rushed to frontload orders ahead of any new tariffs, causing economic contraction. Despite weak business and consumer confidence, and labour market softness, hiring continues. Higher tariffs haven't yet impacted consumer prices, with companies absorbing lower profit margins. We forecast U.S. growth of 1.4% in 2025 and 1.7% in 2026, with no recession expected.

The U.S. Federal Reserve cut its economic outlook but raised inflation expectations due to tariff concerns. Prospects of a relatively modest increase in unemployment and above-target inflation give the Fed room to monitor developments before acting. We expect the Federal Open Market Committee to reduce interest rates by only 25 basis points in 2025, followed by three quarter-point cuts in 2026.

Canadian economic outlook

While a tariff-related surge in imports initially slowed the U.S. economy to start the year, the corresponding increase in Canadian exports provided temporary support for Canada's economy. However, as U.S. stockpiling diminishes, particularly with impending tariff changes, Canada's economy faces a challenging year ahead.

An increasingly volatile outlook complicates business planning for Canadian companies, export-dependent or not, dampening investment and hiring prospects. This has resulted in a dramatic slowdown in employment growth, pushing Canada's unemployment rate to 7% in May—the highest non-pandemic rate since 2016. Economic growth is expected to fall to 0.8% in 2025 and 1.1% in 2026.

Executive summary

Economic impact of U.S. tariffs and global trade tensions

Stuart Bergman
Vice-president and chief economist

After cutting rates in March, the Bank of Canada kept its policy rate unchanged, looking past early tariff impacts. We expect that as the Canadian economy weakens and trade challenges persist, the bank is likely to cut rates a total of three times in 2025, with no moves in 2026.

Currency dynamics and global trade

Our outlook for the Canadian dollar has changed since our spring *Global Economic Outlook* (GEO). Previously, we anticipated that U.S. tariffs and rising global economic uncertainty would lead to an appreciation of the U.S. dollar relative to most other global currencies, including the Canadian dollar. The phenomenon known as the "flight to quality," where investors rush to hold U.S. dollar-denominated assets as a safe haven, has characterized market reaction to global uncertainty over the last century.

However, concerns around policy stability in the U.S. have instead led to the appreciation of the loonie (and other currencies). With the Canadian dollar gaining roughly four cents against the U.S. dollar since the start of 2025, we now forecast it will average US$0.69 in 2025 and US$0.70 cents in 2026.

The first half of the year presented an unpredictable trade environment for Chinese exporters and policy-makers. Tariff rates on Chinese exports to the U.S. surged from roughly 20% to 145%. While this has impacted trade with the U.S., China continues to expand trade with the rest of the world. For policy-makers, exports remain critical to the overall economic outlook, as China's domestic economy struggles with weak demand. The government continues to support key sectors and provide targeted stimulus to promote growth. Overall, we forecast China to grow by 4.6% in 2025 and 4.1% in 2026.

Euro Area growth has long underperformed relative to the U.S. But we expect an uptick in growth for the 20-member currency union from the last couple of years. While economic activity in France remains constrained by political paralysis, hindering necessary reforms, Germany is poised for steady growth with an unprecedented fiscal package bolstering defence and infrastructure spending. Euro Area growth is forecasted at 1% in 2025 and 1.3% in 2026.

Bottom line: Navigating uncertainty in global trade

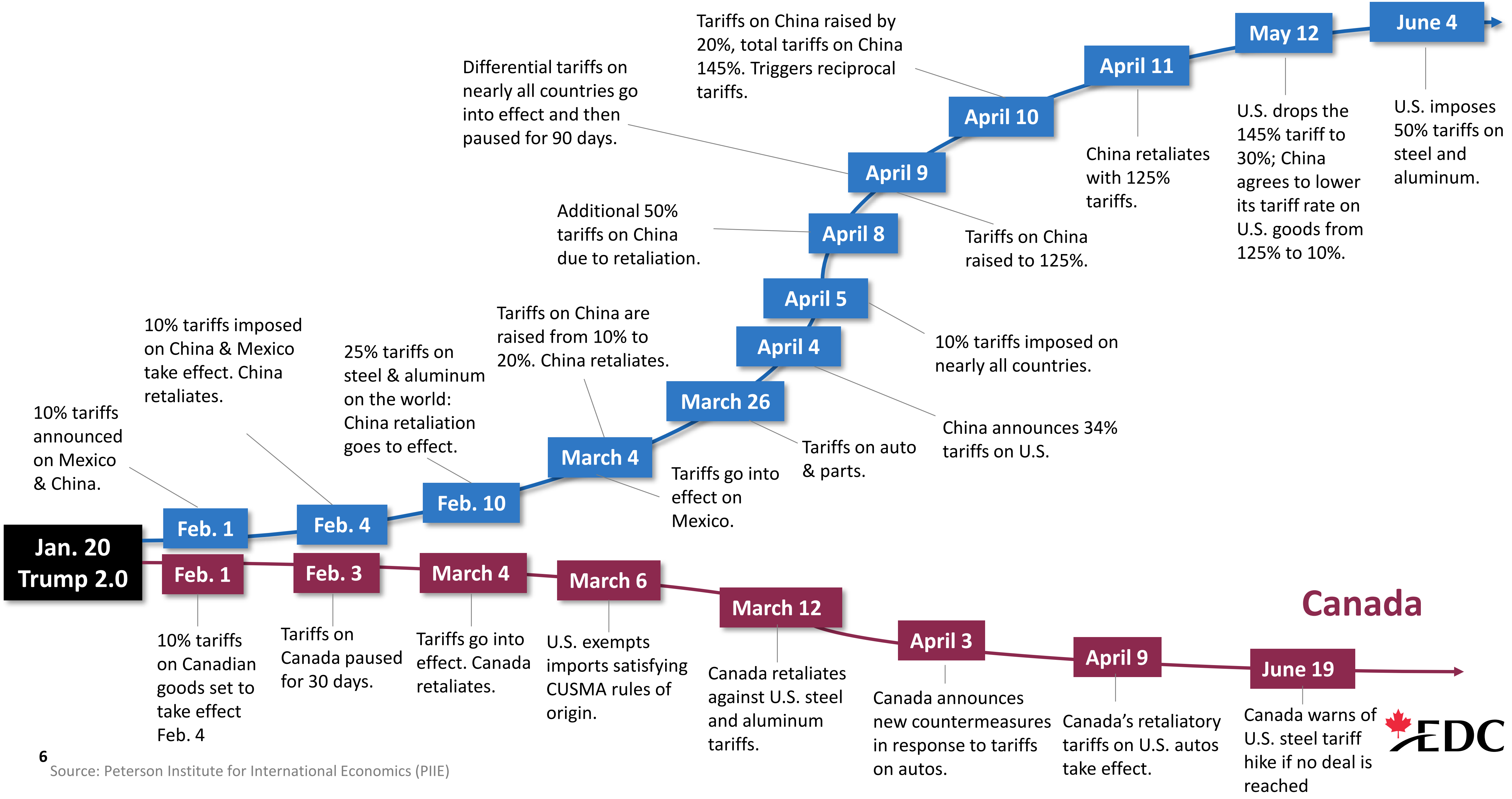
While the global economy benefited from a brief reprieve following the U.S. tariff announcements, the trade environment remains highly uncertain. Together with the flaring of geopolitical tensions worldwide, this creates a challenging backdrop for business planning.

What's clear is that growth is slowing and the cost of doing business is rising. Now, more than ever, companies must stay informed and prepare for a multitude of scenarios. This isn't the time to retrench, but rather invest in the resilience of your operations.

EDC

MACROECONOMIC CONTEXT

Trump administration’s trade war timeline

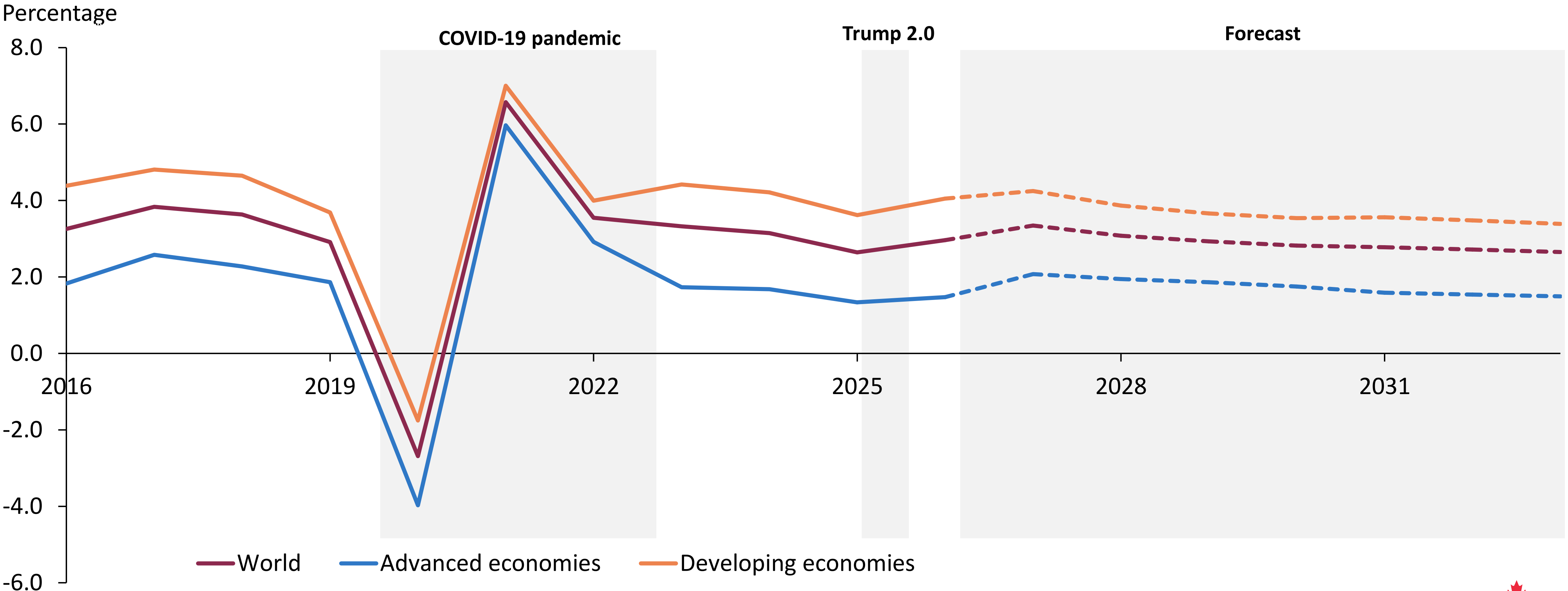


Source: Peterson Institute for International Economics (PIIE)

Global growth stalls as trade tensions and uncertainty mount

The global economic outlook has become increasingly fragile. The sharp rise in tariffs is an added burden to weakening business and consumer confidence. Persistent policy uncertainty is weighing heavily on global momentum. In the first quarter of 2025, global GDP growth slowed, and some advanced economies such as the United States and Japan, recorded negative growth. While the growth was positive in developing economies, the pace of their growth is easing. Looking ahead, the U.S. tariffs targeting global trading partners including China, Canada, Mexico and European countries will hurt global economic momentum.

Global GDP growth



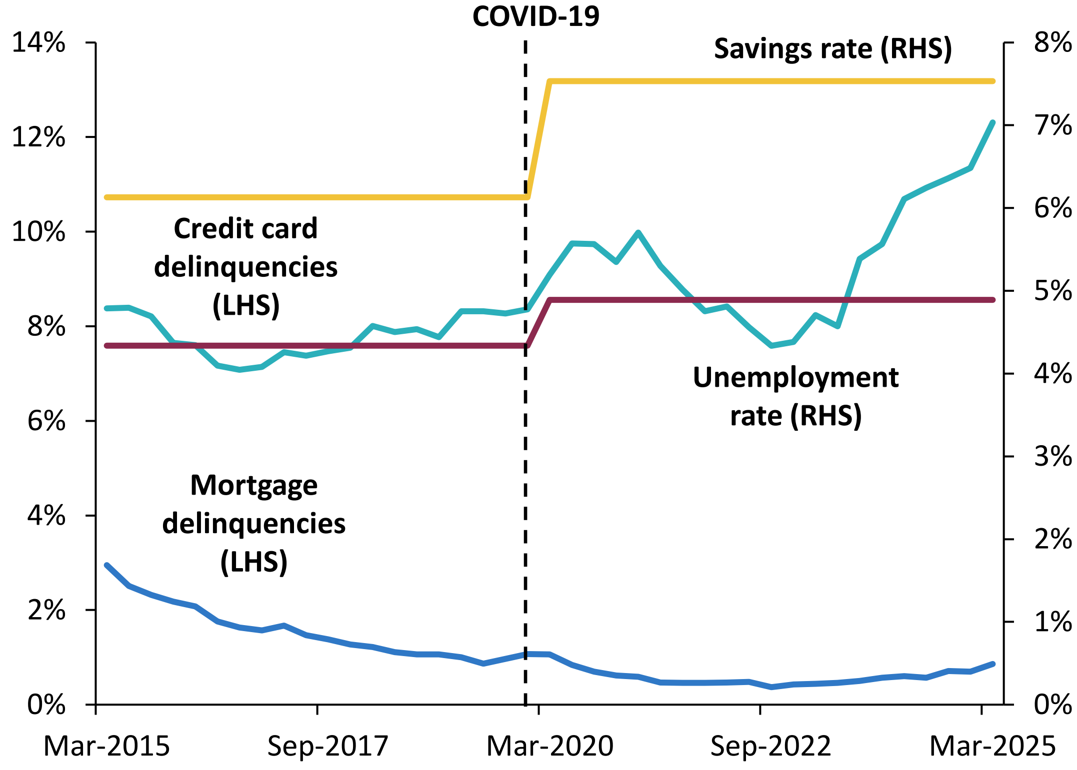
Source: Oxford Economics

Households remain resilient, but signs of strain are emerging

Households are facing a softer labour market and have responded by increasing their savings rate. Despite this, delinquency rates on credit cards and mortgages have risen in the U.S. and Canada. Although the Canadian employment rate has increased more, Canadian households maintain lower delinquency rates on both credit cards and mortgages compared to their U.S. counterparts.

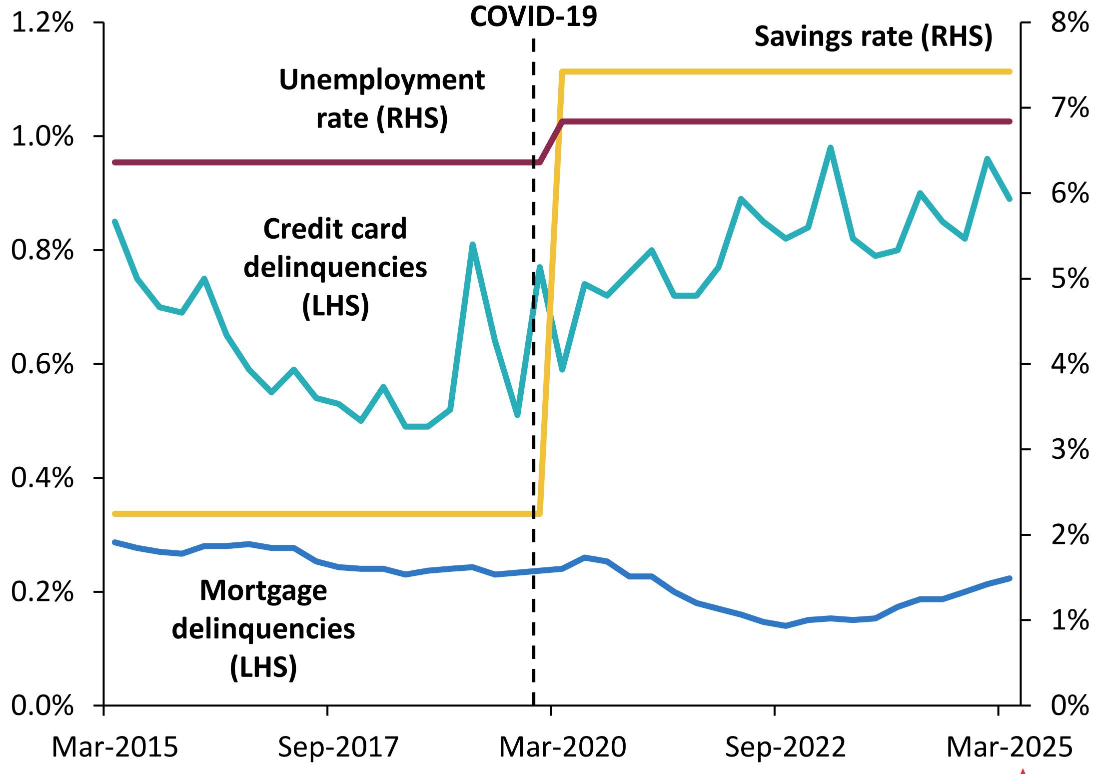
U.S. household finances and unemployment

Percent of 90-day delinquencies. Average unemployment and savings rates pre- and post-pandemic.



Canadian household finances and unemployment

Percent of 90-day delinquencies. Average unemployment and savings rates pre- and post-pandemic.



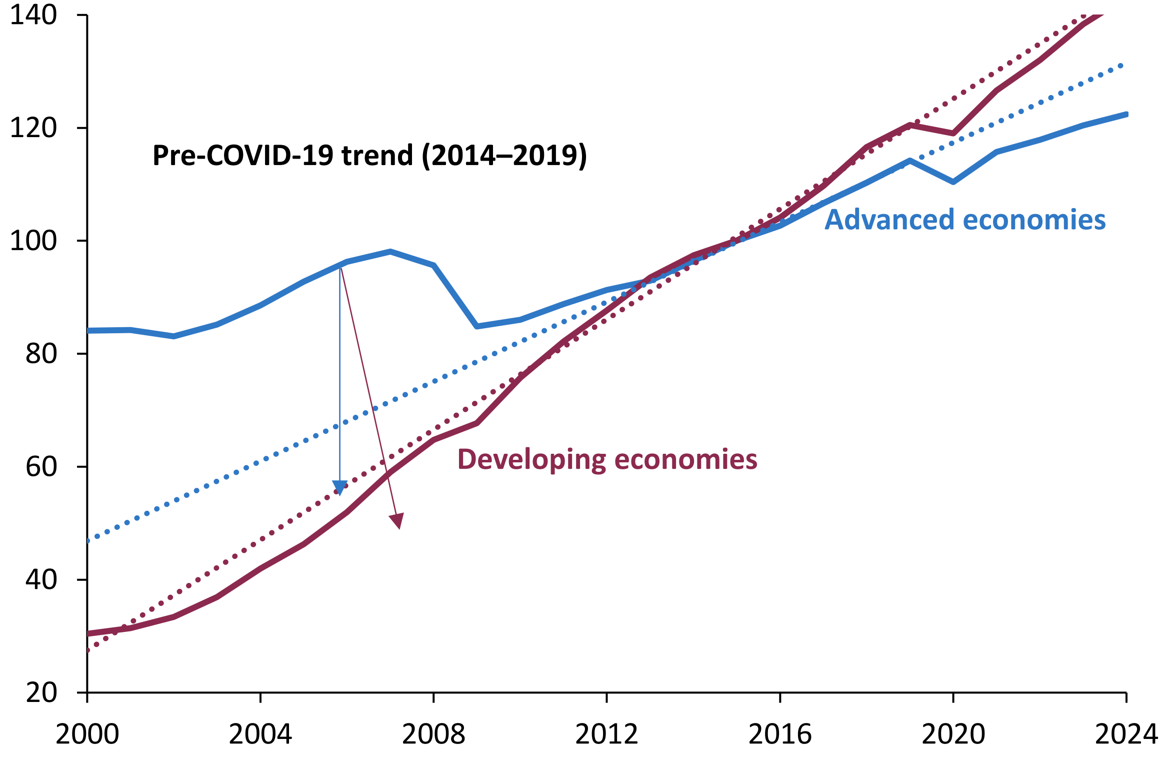
Source: Haver Analytics and Bloomberg

Investment headwinds intensify and Canada stalls

Global investment momentum has slowed, with both advanced and developing economies falling below their pre-COVID-19 trend, reducing overall economic capacity. Developing economies continue to grow, but at a moderated pace. Canada has recently experienced weaker and more volatile investment growth compared to the United States and Australia, leading to a weakening outlook even before the threat of tariffs increased.

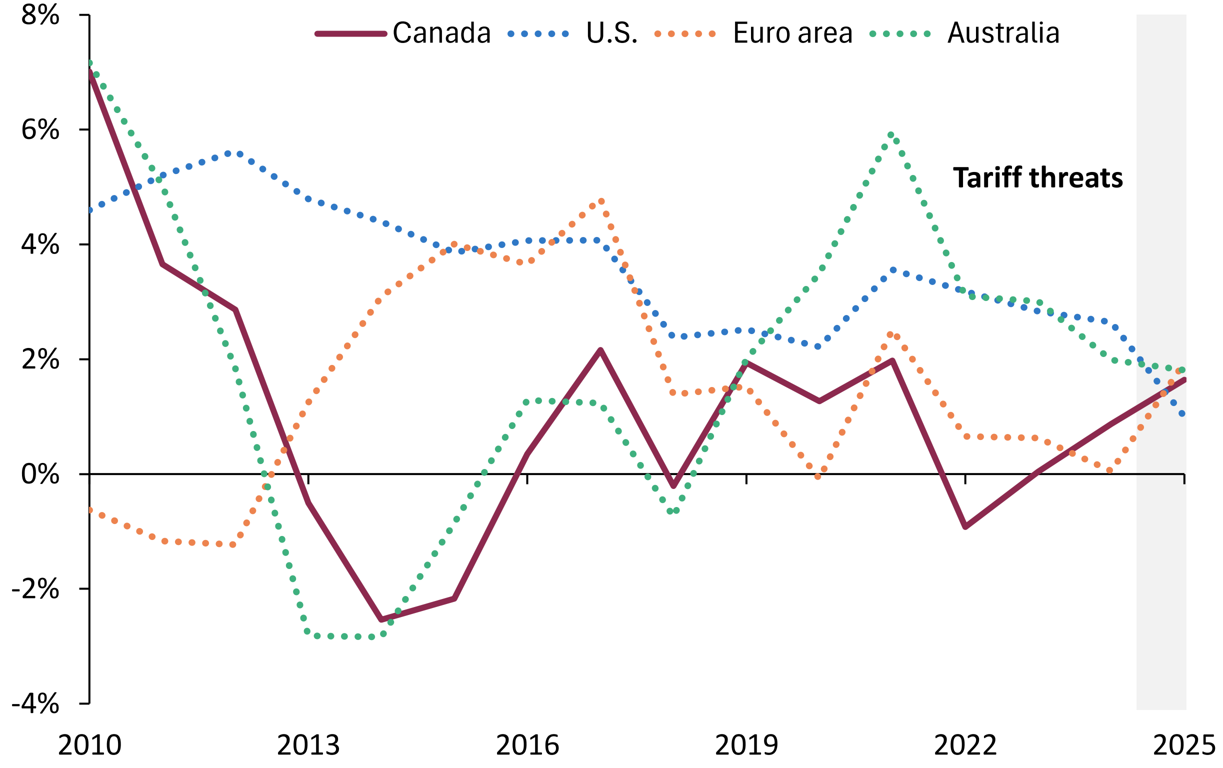
Global investment momentum slows

Global fixed capital formation, seasonally adjusted, 2015=100



Canada's investment performance lags peers

Global fixed capital formation, 3-year moving average, percentage



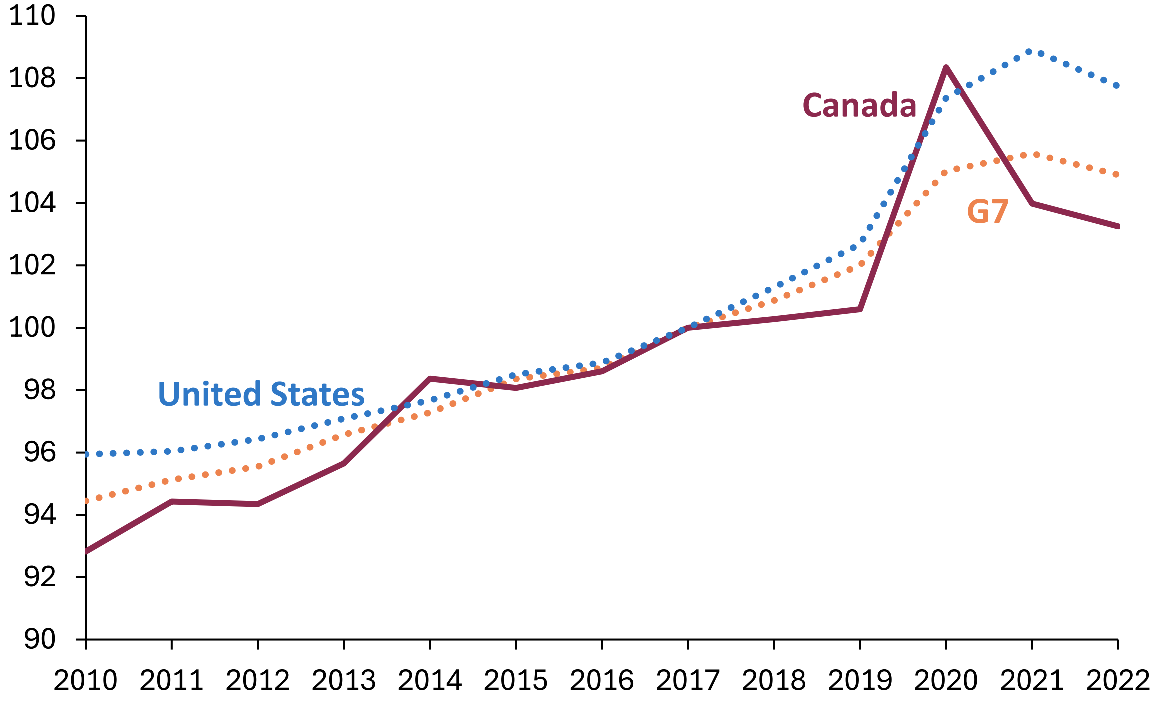
Source: Haver Analytics/Organisation for Economic Co-operation and Development (OECD)
Note: 2015=100 means index with base year 2015 set to 100

The productivity problem Canada can't afford to ignore

In the last decade, Canada's productivity performance has lagged behind the U.S. and the G7 average, a trend not reversed by the temporary pandemic spike. The deeper issue is structural: Weak capital investments, increased regulatory burdens across government levels and slow technology adoption. Sector-level data shows a persistent gap with the U.S., reflecting diverging business ecosystems, policy environments and incentives, all of which challenge Canada's long-term competitiveness.

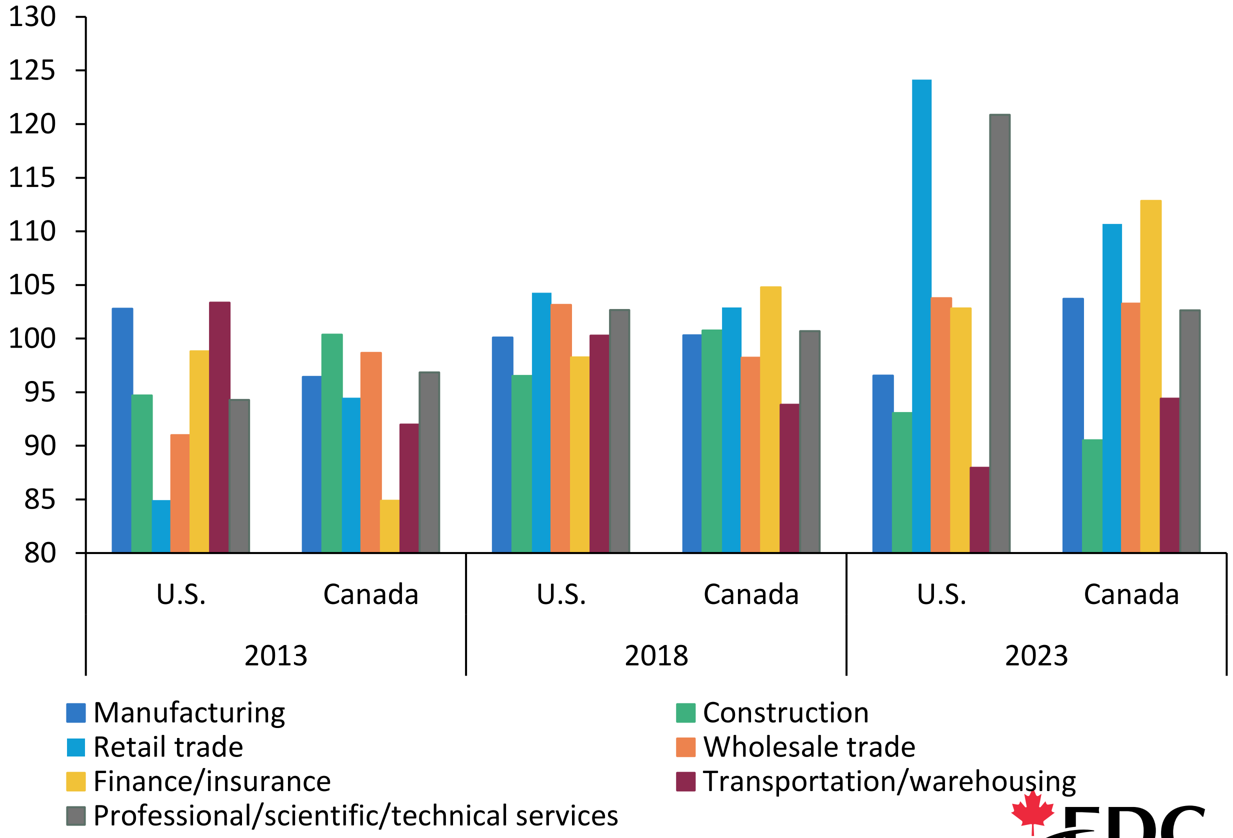
Canada's productivity level falls behind U.S. and the G7

GDP per hour worked, constant prices, 2017=100



U.S. outpaces Canada across nearly every sector amid growing imbalance

Labour productivity, 2017=100



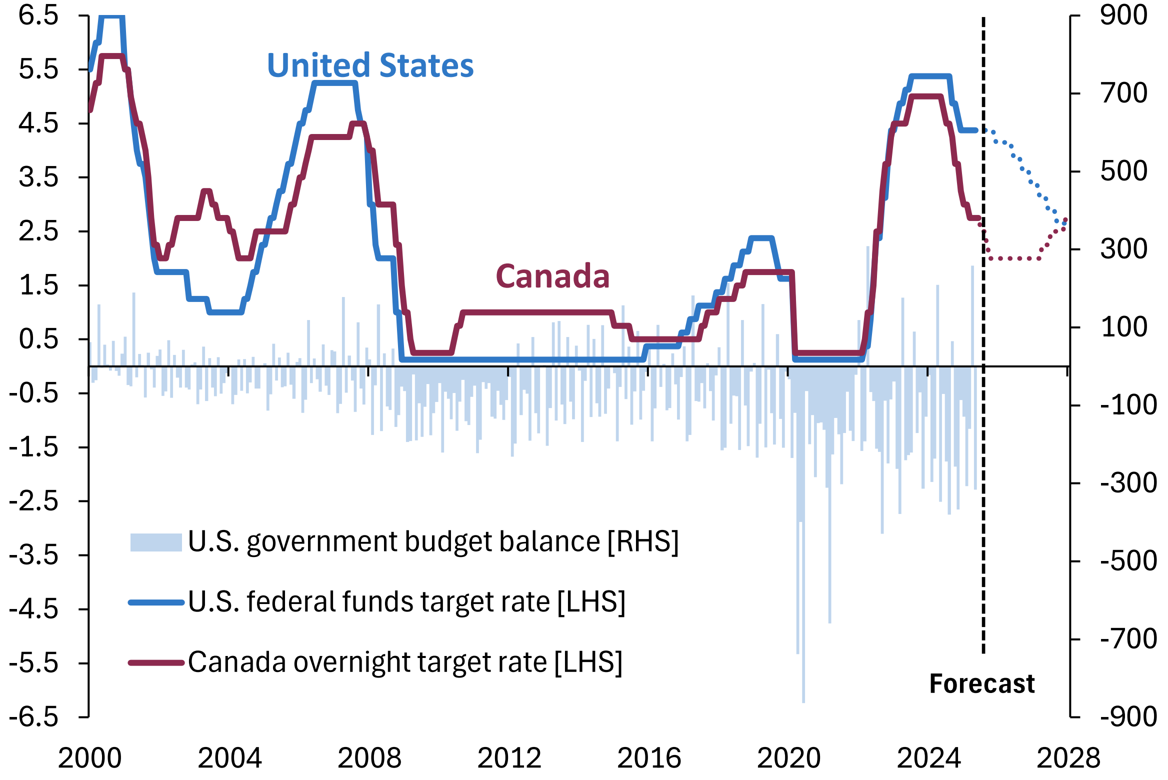
Sources: Haver Analytics/Organisation for Economic Co-operation and Development (OECD)
Note: 2017=100: index with base year 2017 set to 100

Cost of U.S. government debt climbs as investor confidence wavers

Decades of low interest rates fuelled massive U.S. government spending following the 2008 financial crisis and COVID-19 pandemic. Central banks spiking interest rates since 2022 to control inflation have increased debt burdens and renewed concerns about debt costs. Recently, volatile U.S. policy appears to be lifting U.S. treasury yields, further increasing debt costs. Traditionally considered a safe haven that attracts investors in times of uncertainty, U.S. treasuries usually see yields drop. However, recent policies in April-May seem to be worrying investors and impacting U.S. bond yields.

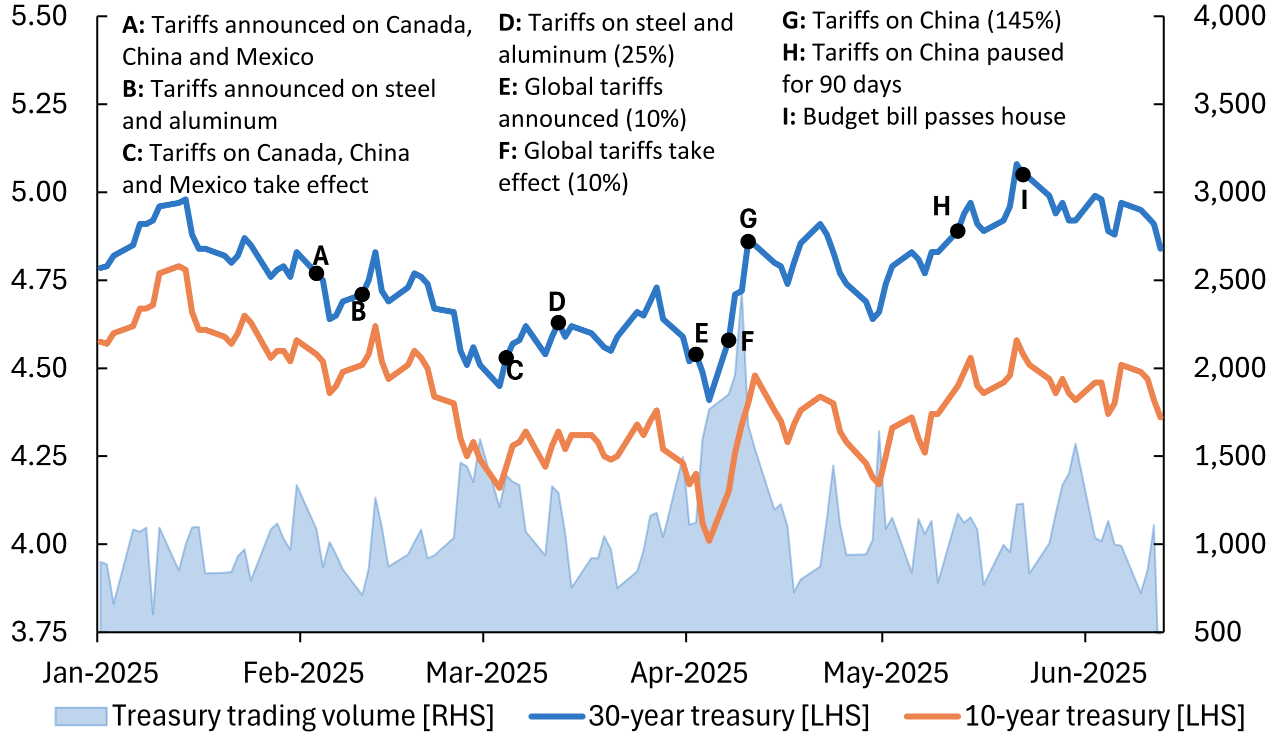
Low interest rates fuels massive government spending

LHS: Policy interest rate (Percentage, EOP), RHS: Billions of U.S. dollar



U.S. bond markets impacted by policy concerns

LHS: Per annum % bond yield, RHS: Trade volumes in billions, U.S. dollar



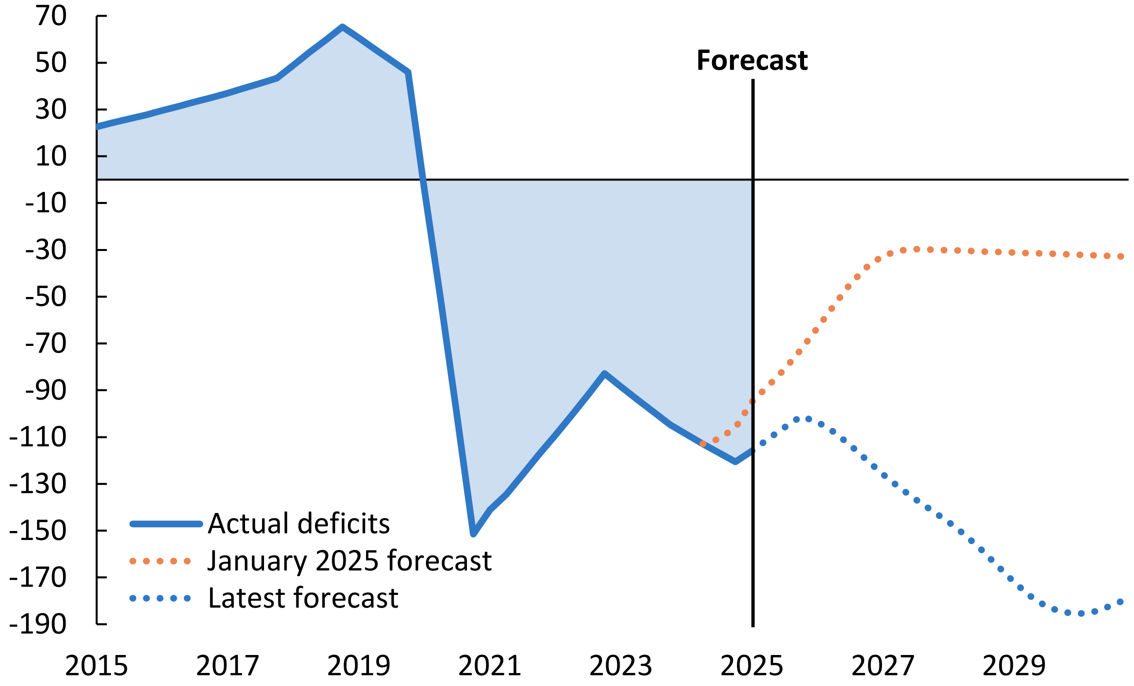
Source: Haver Analytics, Trump administration's trade war timeline 2.0 | PIIE
Note: EOP=End of period, RHS=Right-hand side, LHS=Left-hand side, CHN=China, CAN=Canada, MEX=Mexico

Germany expenditure on the rise

In March, the German parliament passed one of its biggest packages of government spending since reunification—exempting defence spending from debt rules, creating a 500-billion-euro infrastructure fund and permitting German states to increase their borrowing. The spending aims to address rising security threats, revitalize its economy and mitigate high energy costs as the country continues to grapple with the loss of cheap Russian energy. The approved spending is directed towards transportation infrastructure, education spending and energy systems. The boost from this spending will take time, with significant expenditures expected to ramp up in 2027.

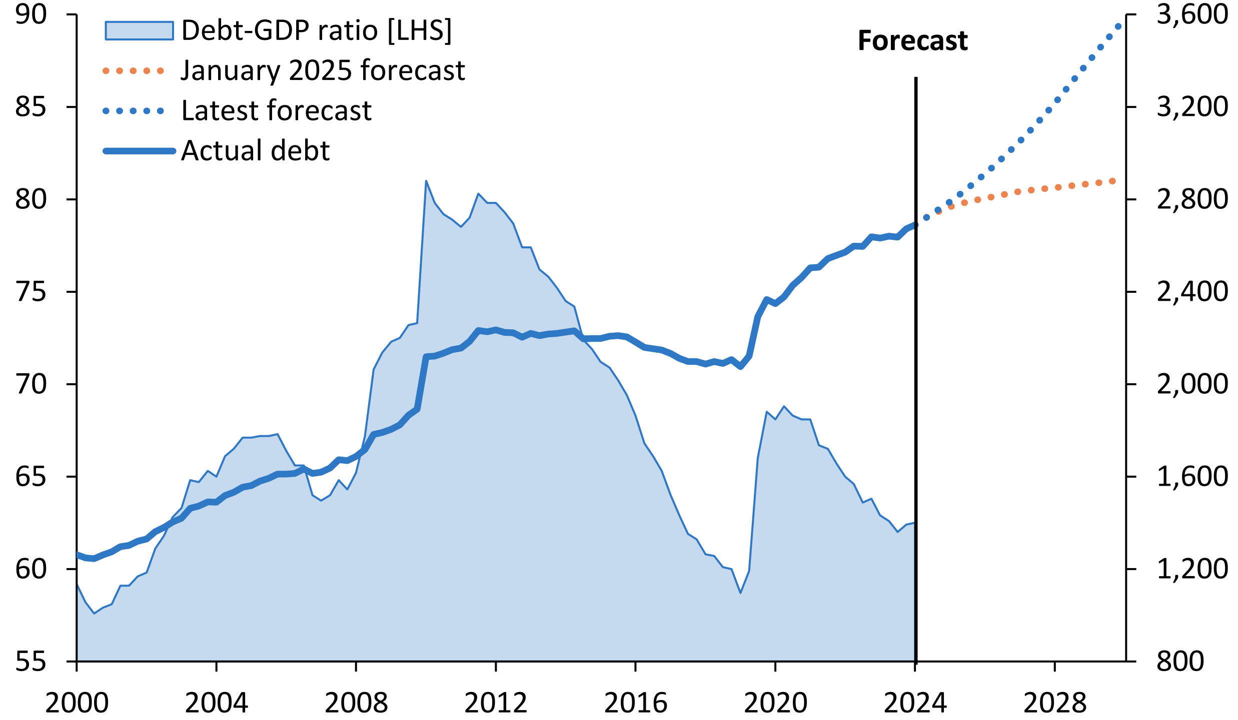
German government spending will take time to pick up

General German government fiscal balance in nominal billions of euros



German debt set to grow by 700 billion euros

LHS: Percent, RHS: Nominal billions of euros (EOP)



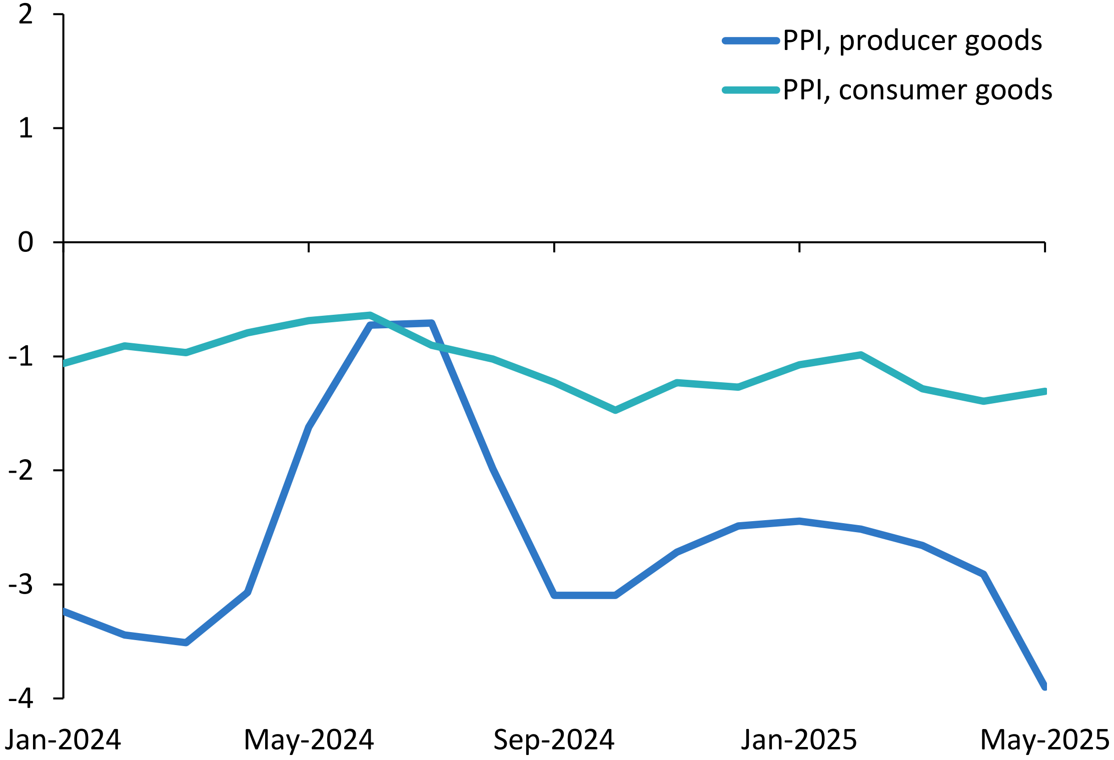
Source: Haver Analytics, Oxford Economics
Note: EOP=End of period

Domestic weakness and trade tensions weigh on China’s outlook

China’s producer prices have been declining since 2022 due to weak domestic consumption and confidence. Ongoing U.S.-China trade tensions have exacerbated deflationary concerns. May 2025 numbers showed the largest year-over-year (%) drop in producer prices since July 2023. Despite relying on exports due to a weaker domestic market, China’s exports to the U.S. have recently dropped because of these trade tensions. However, China’s exports to the rest of the world continue to grow.

Producer prices remain stuck in deflation

Producer Price Index (PPI), year-over-year change (%), seasonally adjusted, index with base year 2020 set to 100



China’s exports to the U.S. have recently plummeted

Goods exports, year-over-year change (%), seasonally adjusted

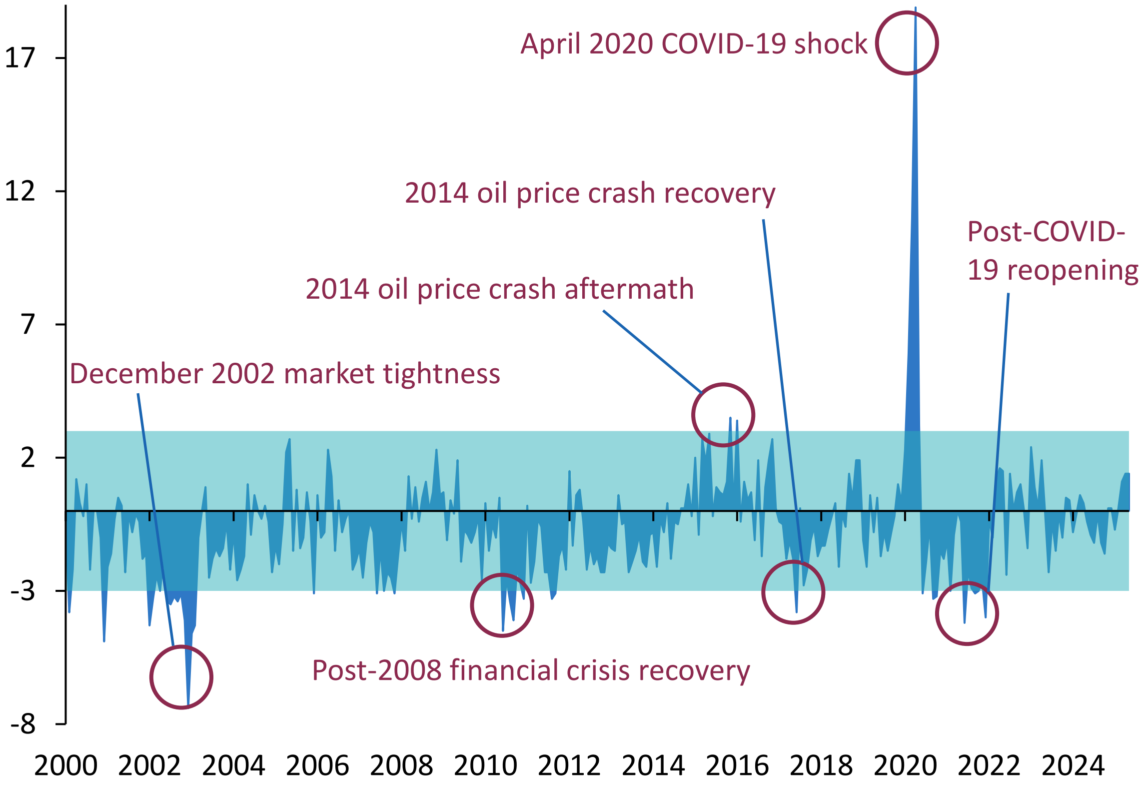
Sources: China National Bureau of Statistics, General Administration of Customs, China, Haver Analytics, EDC Economics.
Note: SA=seasonally adjusted. ROW=rest of the world. Related to the PPI, producer goods span mining and quarrying, raw materials, and manufactured goods; and consumer goods span food, clothing, daily-use articles, and durable consumer goods.

A market out of sync: Too much oil, too little demand

Over the past 25 years, global oil supply and demand have remained balanced within a narrow band of ±3 million barrels per day, even through recessions and geopolitical shocks. This stability contrasts sharply with the past six years, which have seen dramatic price swings due to events, like the COVID-19 collapse, Russia's full-scale invasion of Ukraine and co-ordinated OPEC+ production cuts. The result is a market defined by short-term volatility layered over long-term equilibrium.

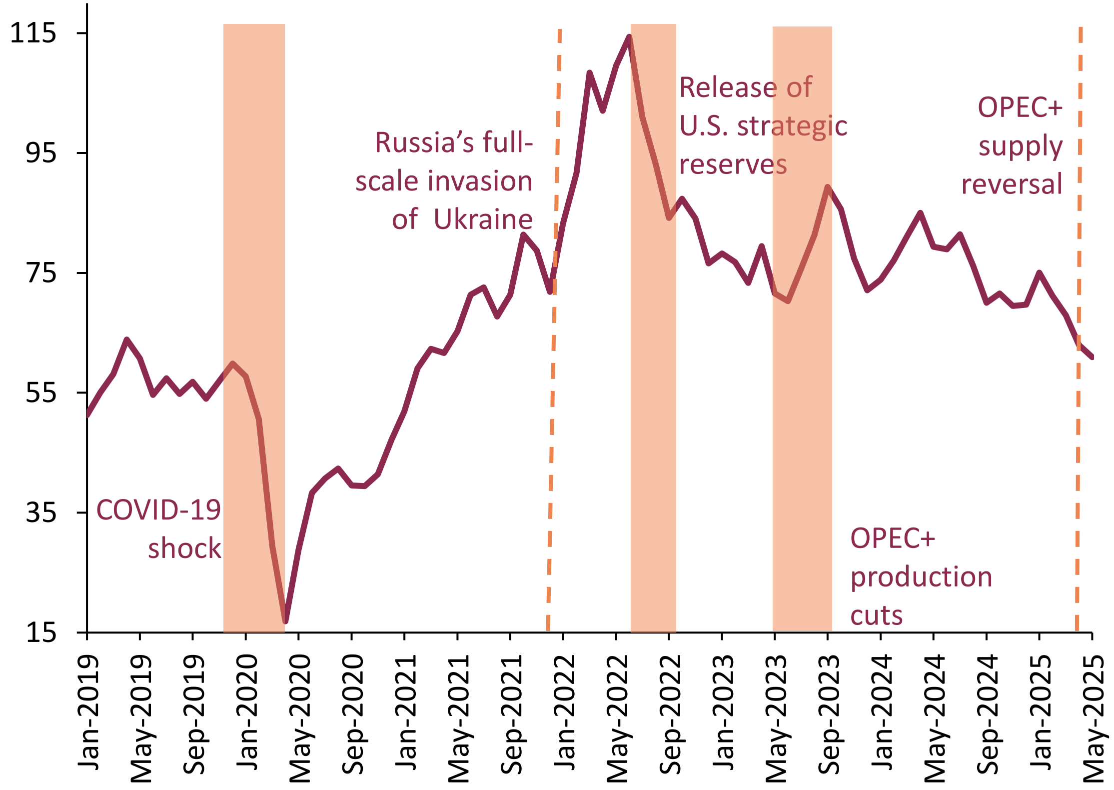
Oil supply and demand: Stock change needed to balance

Million barrels per day



West Texas Intermediate price fluctuations

US$ per barrel



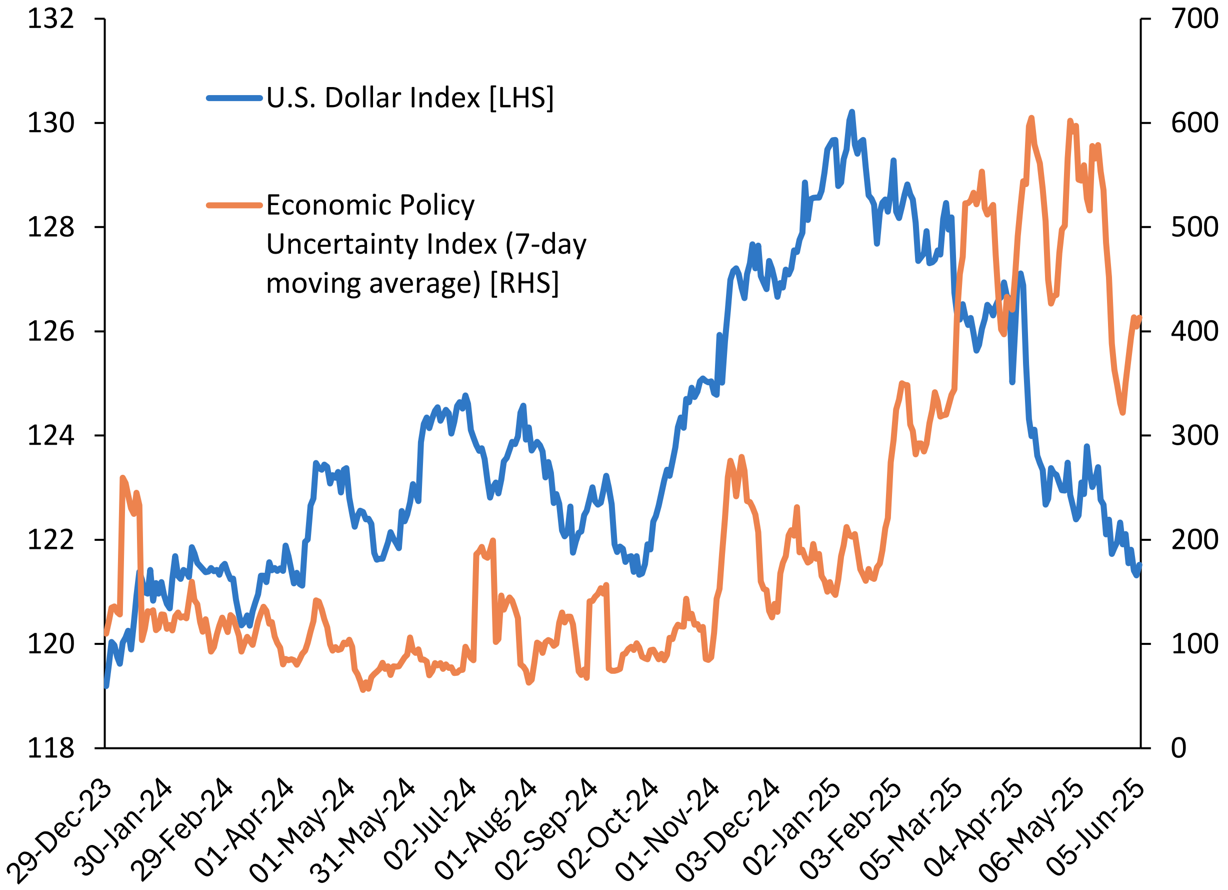
Source: Energy Intelligence/Haver Analytics, EIA/CME/Haver
Note: OPEC+ refers to the OPEC and its allies, including Russia

COUNTRY OUTLOOKS

United States

Prince Owusu, senior economist

U.S. dollar loses altitude on policy concerns



The U.S. economic outlook has eased as consumer spending and construction activities slowed in April, following an economic contraction in the first quarter. Despite this, inflation expectations are rising and hiring continues to slow.

The biggest headwind is policy uncertainty from the U.S. administration, with frequent changes in trade and economic policies impacting business and consumer confidence.

While the administration is working on resolving trade issues with major partners, progress has been slow, affecting near-term business planning. After four years of strong growth aided by record investment and strong consumer spending, real gross product (GDP) is expected to decelerate from a post-pandemic pace of 3.6% annually to just 1.4% this year.

Tariffs have also negatively impacted capital markets. The S&P500 plunged almost 20% from mid-February to April 8 as tariff plans became clear, though markets have nearly recouped the loses.

Economic and inflationary risks from the tariff war have caused long-term treasury yields to rise, keeping consumer loan rates elevated. This has also weakened the U.S. dollar, which will remain under pressure until policy uncertainties clear.

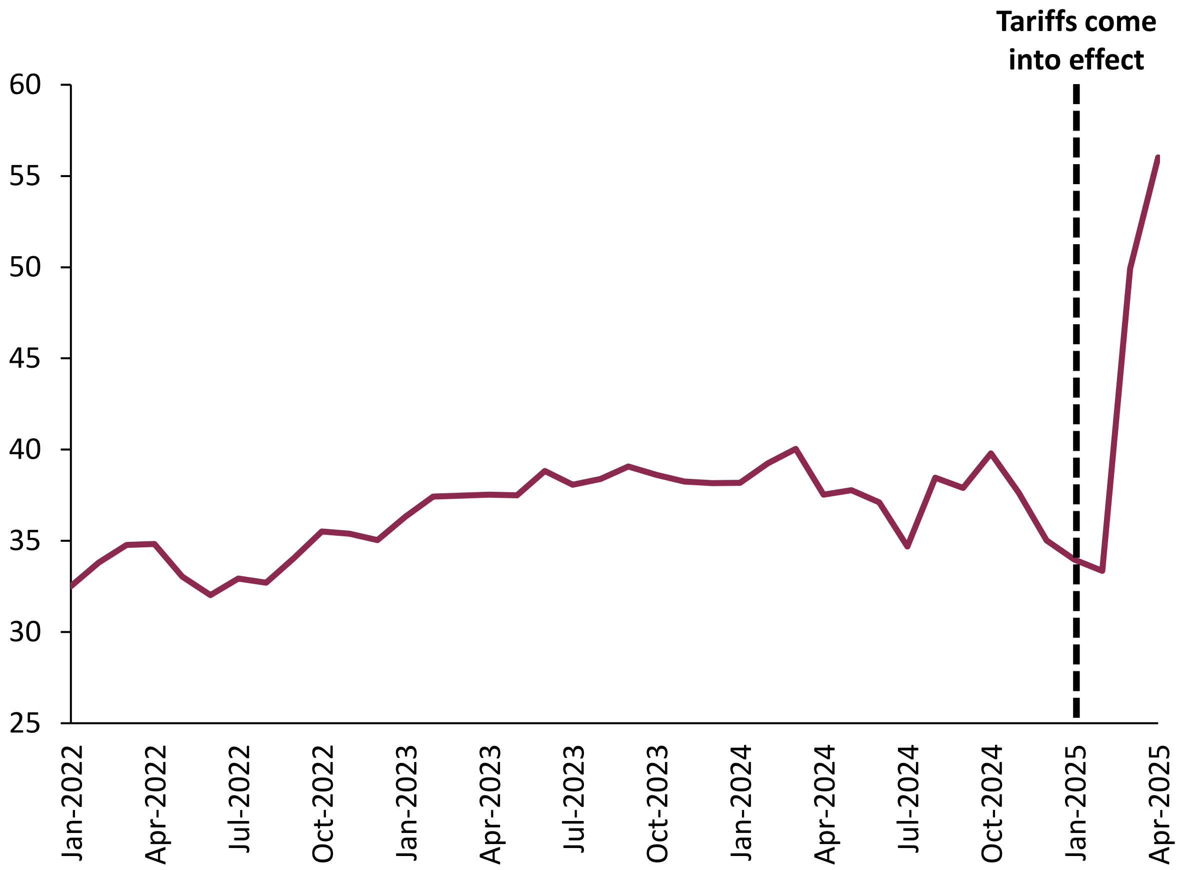
 Source: Haver Analytics, EDC Economics

Canada

Prince Owusu, senior economist

Canadian exporters increase CUSMA compliance rate

Share of imports by the U.S. from Canada under NAFTA/CUSMA



Canada is already feeling the impact of tariffs as the labour market weakens and goods exports plunge. Tariffs on 50% on steel and aluminum, 10% on energy and potash, and 25% on products not compliant with the Canada-United States-Mexico Agreement (CUSMA) remain in place against Canadian exports to the U.S.

A rush to export and build stocks before tariff measures took effect boosted the economy in the first three months of this year. However, a plunge in car production and shipments, along with weak labour demand in April, signals trouble for the Canadian economy. With 44% of Canadian merchandise sold to the U.S. not compliant with CUSMA regulations, tariffs will continue to be a headwind.

While the end of the consumer carbon price helped lower inflation in April, certain components of the consumer price basket are causing the Bank of Canada (BoC) concern. Core inflation increased in April, and inflation expectations rose by a full percentage point in the first quarter. Despite labour market stress, the threat of inflation prompted the BoC to leave policy rates unchanged in April and June.

However, given labour market weakness and household debt stress, the BoC may need to act soon.

The Canadian economy is likely to fall into a recession this year, with a modest 1.1% recovery expected for 2026. Despite struggles, the loonie will remain steady, benefiting from the loss of confidence in the U.S. dollar to policy uncertainties. The Canadian dollar is expected to average US$0.72 in 2025 and US$0.75 in 2026.

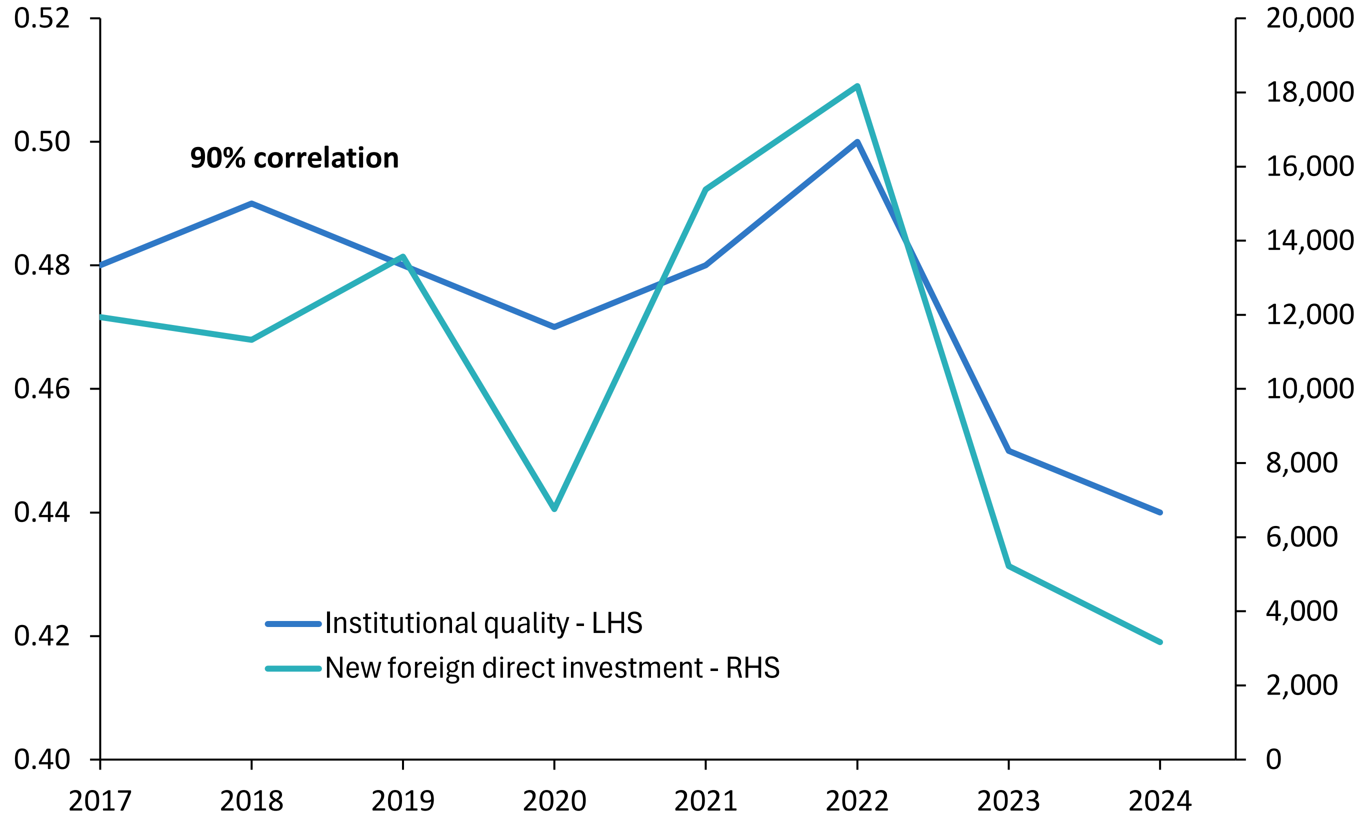
Source: EDC Economics, U.S. Census Bureau

Mexico

Prince Owusu, senior economist

Mexico's institutional quality and new foreign direct investment (FDI) shows strong correlation in recent years

RHS: In billions of U.S. dollars



Mexico's economy is caught between tariffs constraining exports and domestic policy missteps hitting foreign direct investment. Despite its proximity to the U.S., Mexico could be a magnet to global businesses looking to derisk their supply chain from China. However, weakening institutional quality has deterred international businesses, risking low growth rates.

Only 13% of eligible voters participated in the June 1 judicial elections, solidifying Morena's (the president's party) control over all three branches of government. This low turnout highlights the lack of support for constitutional reforms that weakened institutional quality and investment attractiveness.

Mexico's competitiveness is further hit by U.S. tariffs: 25% on auto exports, 50% on steel and aluminum and 25% on non-CUSMA compliant products. Aggressive U.S. immigration policies have also reduced remittances, impacting household consumption.

The economy is forecast to enter a recession this year, with modest recovery expected next year. Avoiding retaliatory tariffs should keep inflation within the policy range, allowing the Bank of Mexico (Banxico) to cut interest rates.

However, the weak economy and narrowing interest rate differential with the U.S. will likely depreciate the peso next year.

Sources: Relial.org, Haver Analytics, EDC Economics

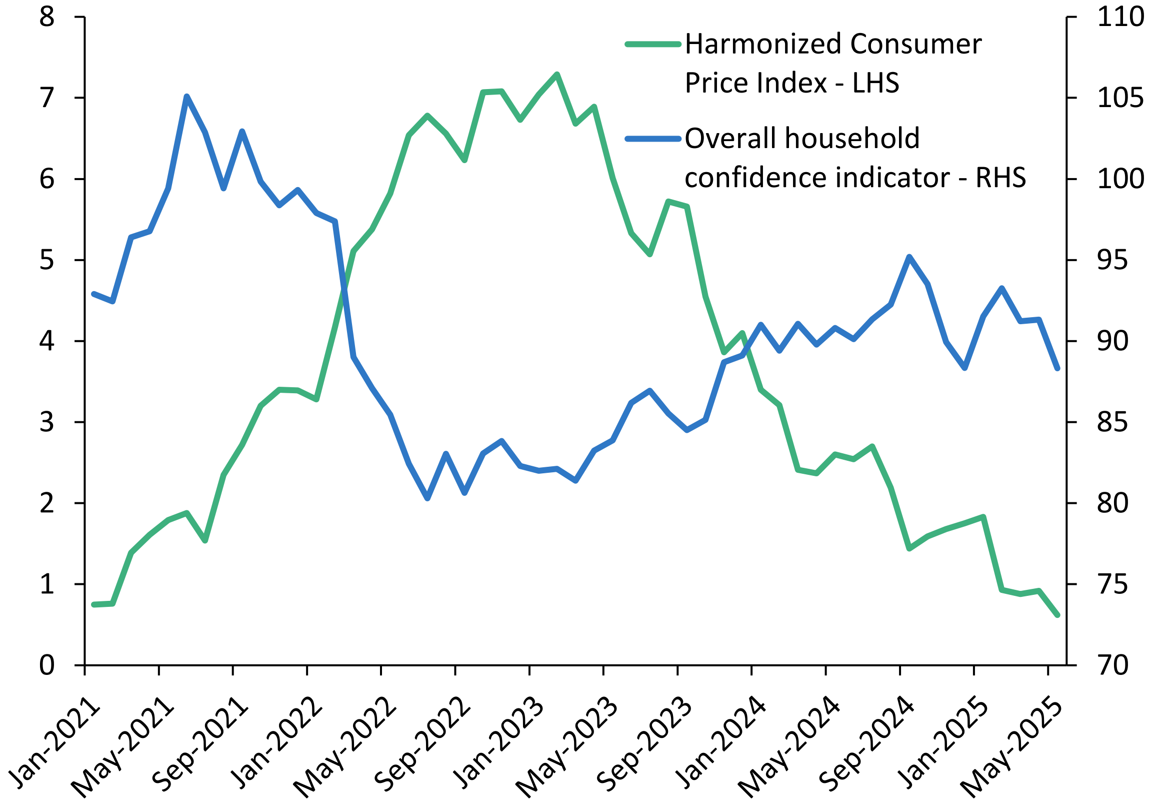
France

Sasan Fouladirad, country risk analyst

Falling inflation is slowly rebuilding household confidence

RHS: Seasonally adjusted, long-term average=100

LHS: Not seasonally adjusted, 2015=100, year-over-year % change



France's economy is forecast to slow to 0.5% growth in 2025, down from 1.1% in 2024, due to tighter fiscal policy, global uncertainty and weak in business investment. First-quarter GDP rose by only 0.1%, driven by inventory buildup in anticipation of trade disruptions. A recovery to 1.2% growth is expected in 2026, supported by improving global trade conditions and stronger consumer and business confidence.

The political climate has improved slightly, with the passage of the 2025 budget and the failure of several no-confidence motions preserving Prime Minister François Bayrou's government. However, the fiscal deficit remains a pressing issue, reaching 5.8% of GDP in 2024. The government introduced €50 billion in revenue measures, including a temporary surtax on 440 major companies, which may delay business investments.

France is less exposed to U.S. tariffs than other major economies but remains vulnerable to wider trade tensions. Weak demand from China impacts luxury exports, but easing trade tensions by 2026 could lift exports in high-value sectors such as aerospace, chemicals and pharmaceuticals.

The economy relies heavily on services, which make up more than 70% of GDP. The ICT sector is growing, supported by €109 billion in AI investment pledges from the 2025 Paris AI Summit. Tourism will continue to support growth after a record number of visitors in 2024.

Manufacturing struggles due to high labour costs, rigid hiring rules and slow adaptation to EU climate regulations. Lower inflation, ongoing European Central Bank rate cuts and the expiry of contractionary fiscal measures should support household spending and investment in 2026.

Sources: Institut National de la Statistique et des Etudes Economiques, Haver Analytics

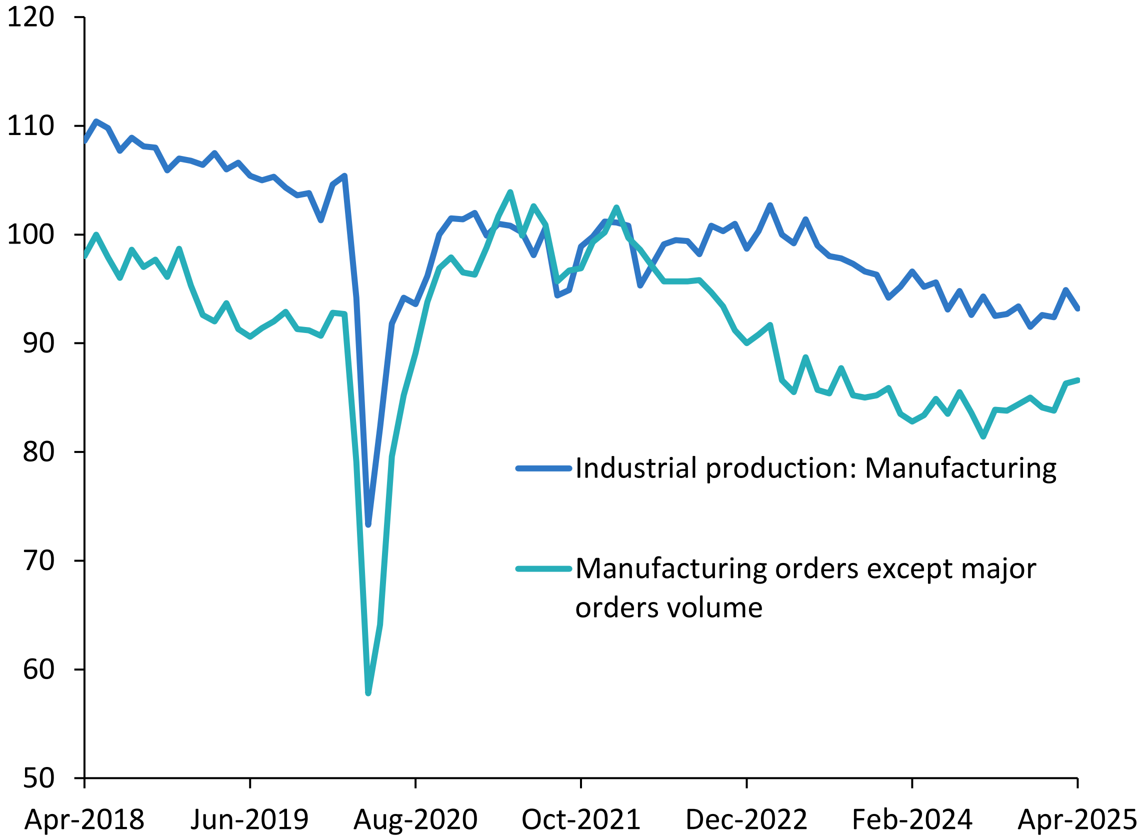
Note: 2015=100 refers to index with base year 2015 set to 100

Germany

Sasan Fouladirad, country risk analyst

Germany's manufacturing sector faces structural decline

Seasonally and working-day adjusted, 2020=100



Sources: Haver Analytics
Note: 2020=100 refers to index with base year 2020 set to 100

Germany entered 2025 in recession, with mounting pressure on its industrial base. However, a policy reset by the incoming government offers a potential turning point. After two consecutive years of contraction, GDP is expected to expand by 0.4% in 2025 and 1.4% in 2026.

Structural challenges have constrained Germany's economic performance for years. Persistent labour shortages due to an aging population, elevated energy costs, concerns about the energy security and underinvestment in digital infrastructure, transportation, and public services have eroded competitiveness and dampened productivity.

Germany's trade surplus with the U.S. makes it vulnerable to tariffs imposed by President Donald Trump in April. These measures, along with global trade uncertainty, have disrupted exports and forced companies to reassess market priorities and supply chains. Export momentum has also been weakened due to softening demand from China and intensified competition from Chinese manufacturers, particularly in automotive and industrial machinery.

Early signs of improvement include persistent disinflationary pressures, continued interest rate cuts by the European Central Bank and real gains in household purchasing power. A constitutional amendment in March allowed federal states to run structural deficits and excluded defence spending above 1% of GDP from borrowing constraints. In addition, a €500 billion off-budget fund was established for infrastructure and climate-related investments over the next 12 years.

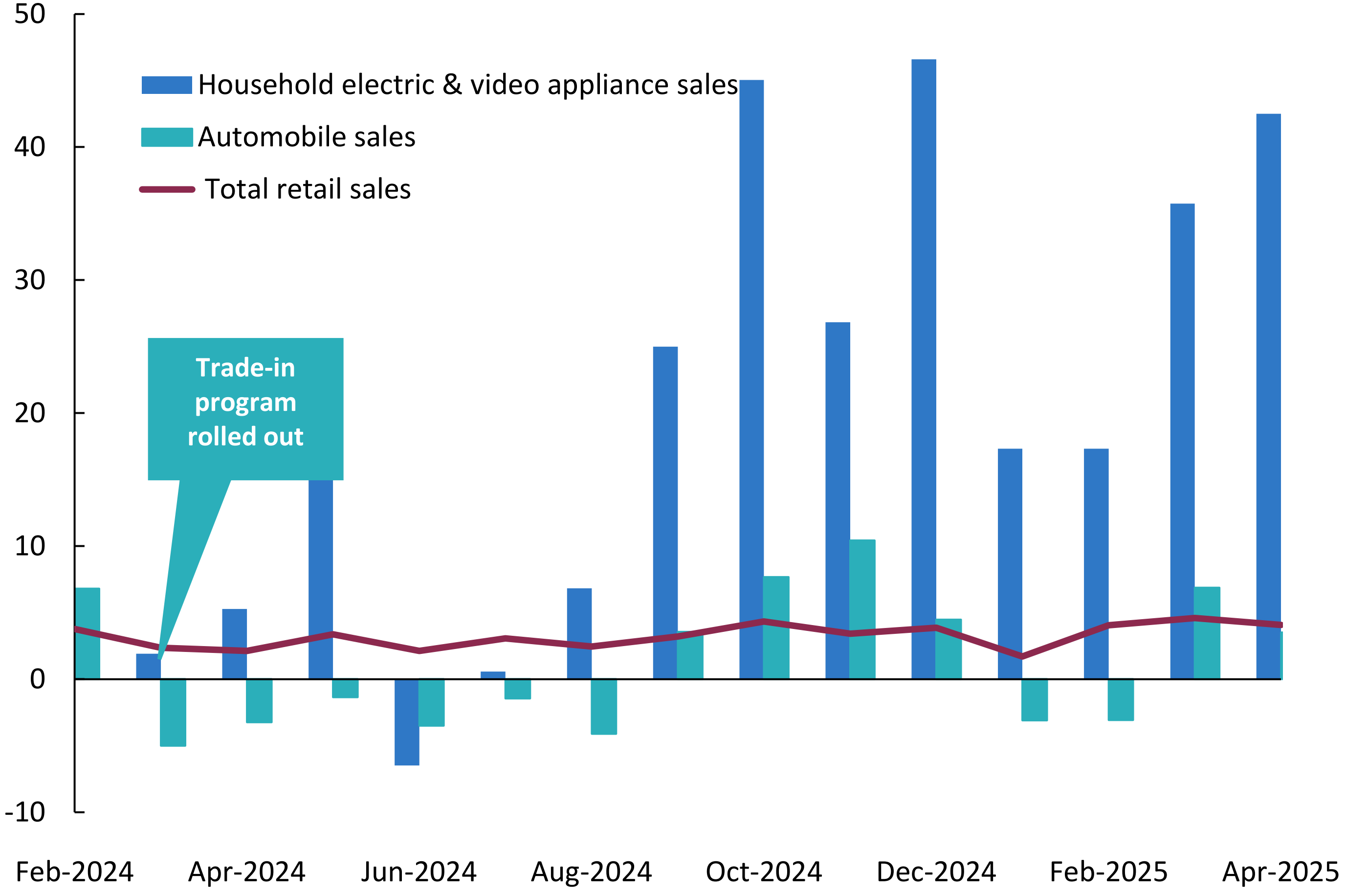
With the coalition government in power, the policy environment has become more predictable. Business sentiment, while still weak, has shown signs of improvement, supported by stable order volumes in manufacturing. If the coalition maintains cohesion and populist pressures remain contained, these developments could lay the groundwork for a sustained recovery beginning in 2026.

China

Susanna Campagna, principal

Trade-in program provides much-needed consumption lift

Percentage change, year-over-year



Source: Haver Analytics

China's government has announced a growth target of around 5% for 2025, the same as in 2024. While China benefited from an export surge in late 2024 and early 2025 due to frontloading of orders, exports are expected to soften in the second half of 2025 due to U.S. tariffs and weakness in key trading partners. Consequently, our GDP forecast has been revised down to 4.6% for 2025, slowing to 4.1% in 2026.

First-quarter economic growth surprised to the upside, but the *Purchasing Managers Index* (PMI) data for new export orders remains in contraction due to the challenging trading environment.

Government stimulus is expected to ramp up as the economy deals with deflation, weak domestic consumption and an ongoing property sector crisis. The government is targeting increased domestic consumption as exports soften. The March 2024 consumer "trade in" subsidy program, expanded in January 2025, has gradually boosted domestic sales in automotive, furniture and household appliances, has shown in the chart.

Looking ahead, China is expected to grow its advanced manufacturing and technology sectors, tackle local government debt, and expand its trade-in program to support domestic consumption.

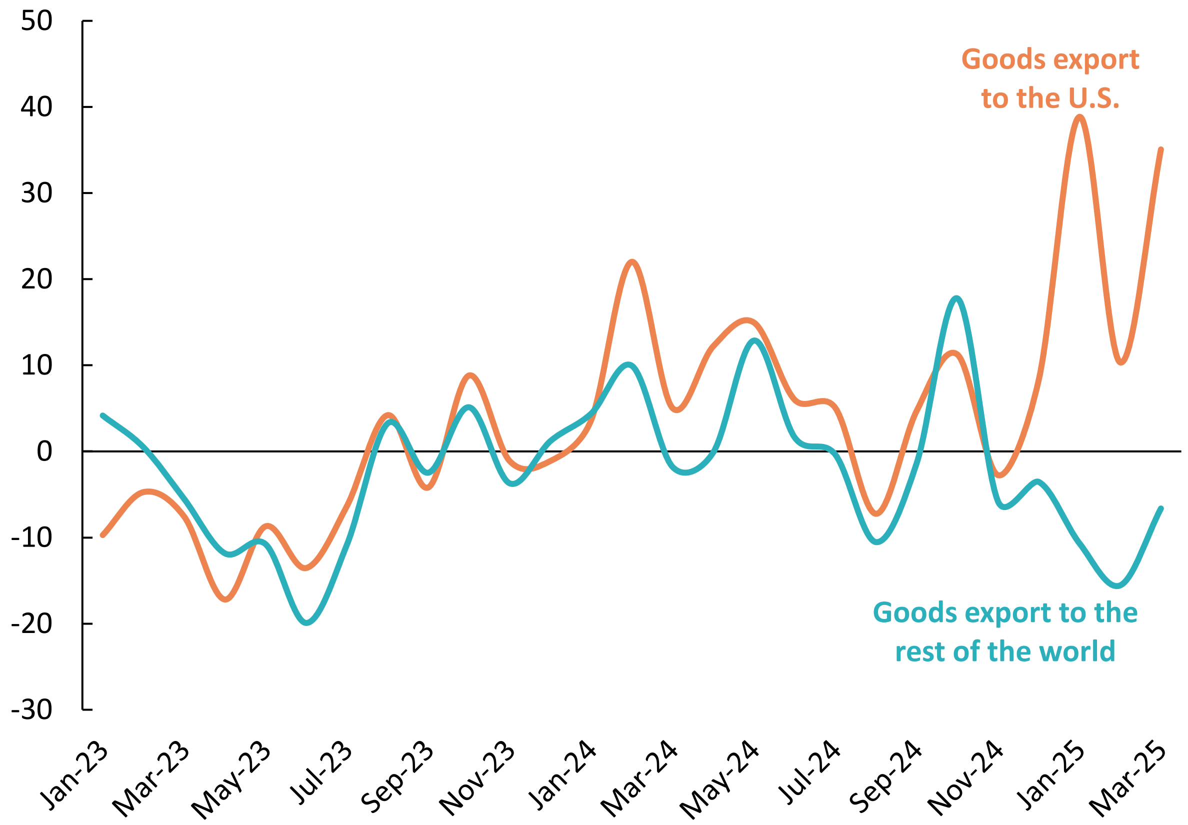
Upside risks include a U.S.-China trade deal easing current tariffs. Downside risks include spillover from the property sector crisis into the financial sector, escalation of geopolitical risks, or new tariffs affecting Chinese exports.

India

Nadeem Rizwan, country risk analyst

Frontloading exports to U.S. won't offset global trade uncertainty

Growth, year-on-year, not seasonally adjusted



India's growth is projected to slow to 6.5% in 2025 and 2026 due to global trade uncertainty.

In the first quarter of 2025, private consumption unexpectedly slowed, while investment drove growth. Imports declined more than exports, positively impacting net trade. Despite slower growth compared to the previous year, India remains the fastest-growing major economy.

The growth outlook remains stable, with the brief conflict with Pakistan unlikely to affect the overall outlook. Consumption is expected to stay robust, supported by easing inflation, favourable agricultural conditions, tax benefits and reduced borrowing costs.

Private investment may remain subdued due to global uncertainties, while government capital expenditure will sustain momentum. Exports are expected to remain moderate despite frontloading shipments to the U.S. in anticipation of tariffs.

Downside risks include re-escalation of conflict with Pakistan and increased tariff uncertainties. Conversely, a quicker resolution of trade uncertainties offers potential upside.

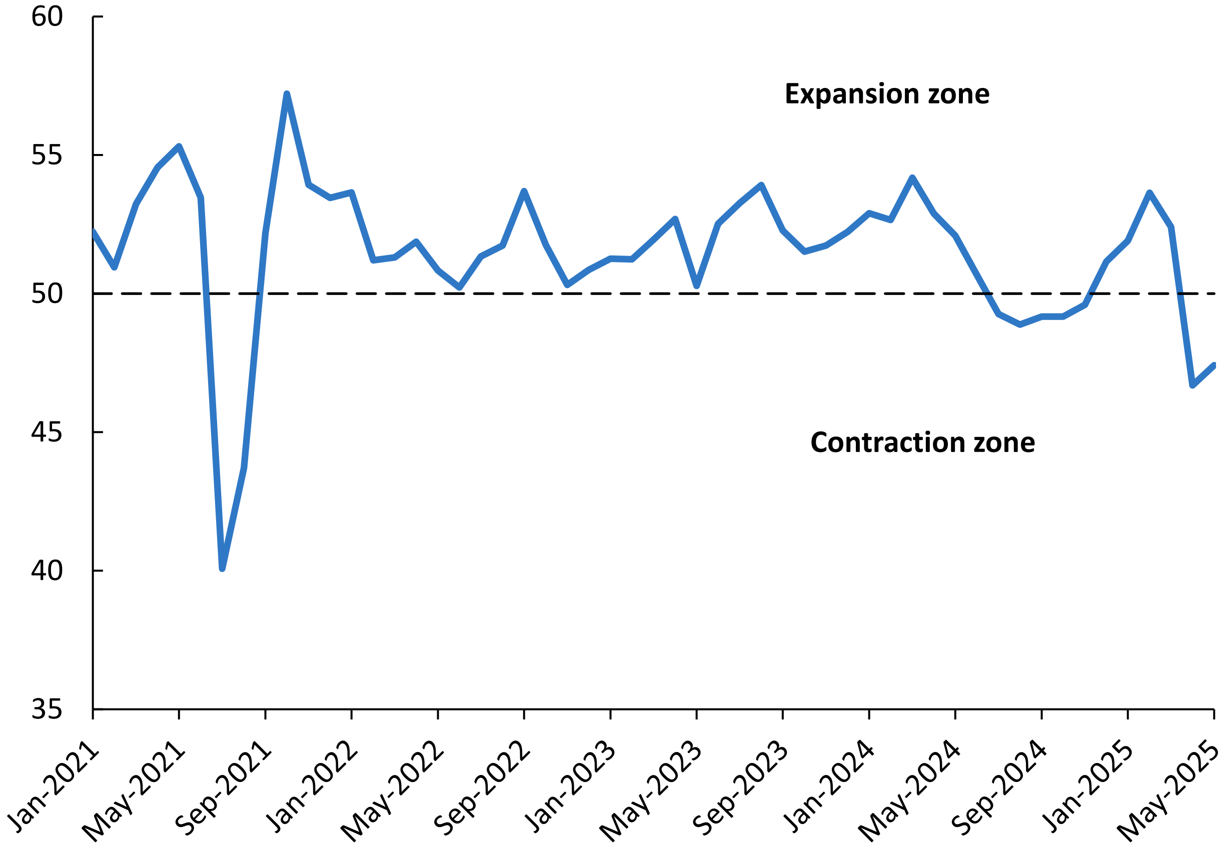
Source: Ministry of Commerce and Industry, Haver Analytics
EDC Economics

Indonesia

Nadeem Rizwan, country risk analyst

Indonesia's growth, investment outlook slows

Purchasing Managers' Index, more than 50 means expansion



Indonesia's growth experienced a slowdown in early 2025. EDC Economics has revised growth forecasts down to 4.9% for 2025 and 2026 due to a loss in momentum.

In the first quarter of 2025, private and public consumption rose by 1.3% and 4.3%, respectively, positively influencing overall growth. However, investment hindered growth. A reduction in imports counterbalanced the deceleration in exports, leading to a favourable net trade impact.

Contained inflation and further economic stimulus will maintain consumption as the main growth driver. Despite monetary easing, private investment will remain restrained due to global trade uncertainty. The sharp drop in the manufacturing *Purchasing Managers' Index* (PMI), indicates weak investor sentiment.

Government expenditure will accelerate with the finalized spending programs and additional stimulus measures, but revenue generation need to increase to manage the fiscal balance. The export outlook remains tepid as demand from key trading partners, like China, diminishes.

An unexpected slowdown in consumption poses a downside risk, while a swift resolution of global trade uncertainty represents an upside risk.

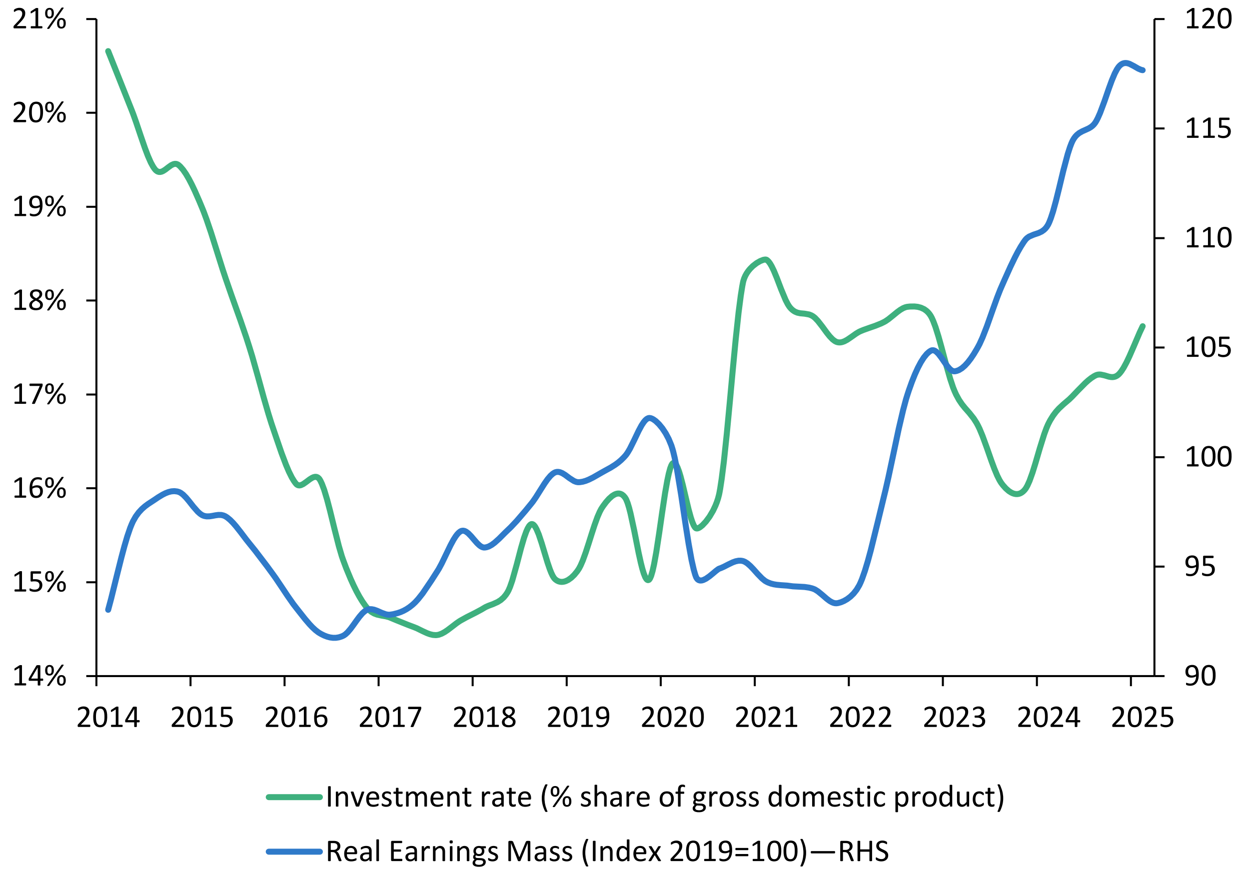
Sources: S&P Global, Haver Analytics

Brazil

Daniel Benatuil, senior country risk analyst

Domestic demand resilience to cushion impending slowdown

Percentage, Index 2019 = 100



Sources: Brazilian Institute of Geography and Statistics, Haver Analytics, EDC Economics
Note: Real earnings mass is calculated as the three-month average of real monthly earnings multiplied by people employed.
Index 2019=100: index with base year 2019 set to 100

Brazil's economic outlook has been upgraded to 2.6% growth in 2025, marking a four-year streak of above-potential growth. Activity is expected to moderate to 1.6% in 2026 due to tight monetary conditions and global headwinds.

The economy grew at a whopping 5.7% annualized rate in the first quarter of 2025, driven by a bumper agricultural crop. This positive supply shock boosts the 2025 forecast. Large harvests are likely to have positive downstream effects, lifting services activity growth in the second quarter.

Despite restrictive monetary conditions and soft private sector confidence, recovering business investment and labour market tightness reflect improved demand resilience. Fiscal measures, including wage increases, a new payroll loans program, subsidies, and government debt repayments, support consumer spending but raise fiscal risk concerns. The agriculture, energy and mining sectors remain bright spots despite volatile global prices.

Growth will slow markedly in the second half of this year. Demand resilience will cushion but not offset the effects of high borrowing costs on credit-sensitive sectors. While inflation remains above target, the central bank is likely done hiking its Selic policy interest rate. Rate cuts next year and a loose fiscal stance will drive modest growth recovery.

Fiscal sustainability risk remains a key concern, with the Lula administration facing weak popularity ahead of the 2026 elections. Brazil could benefit from shifting global trade policies, but weaker global demand and commodity prices due to renewed trade war escalation pose external risks.

EDC

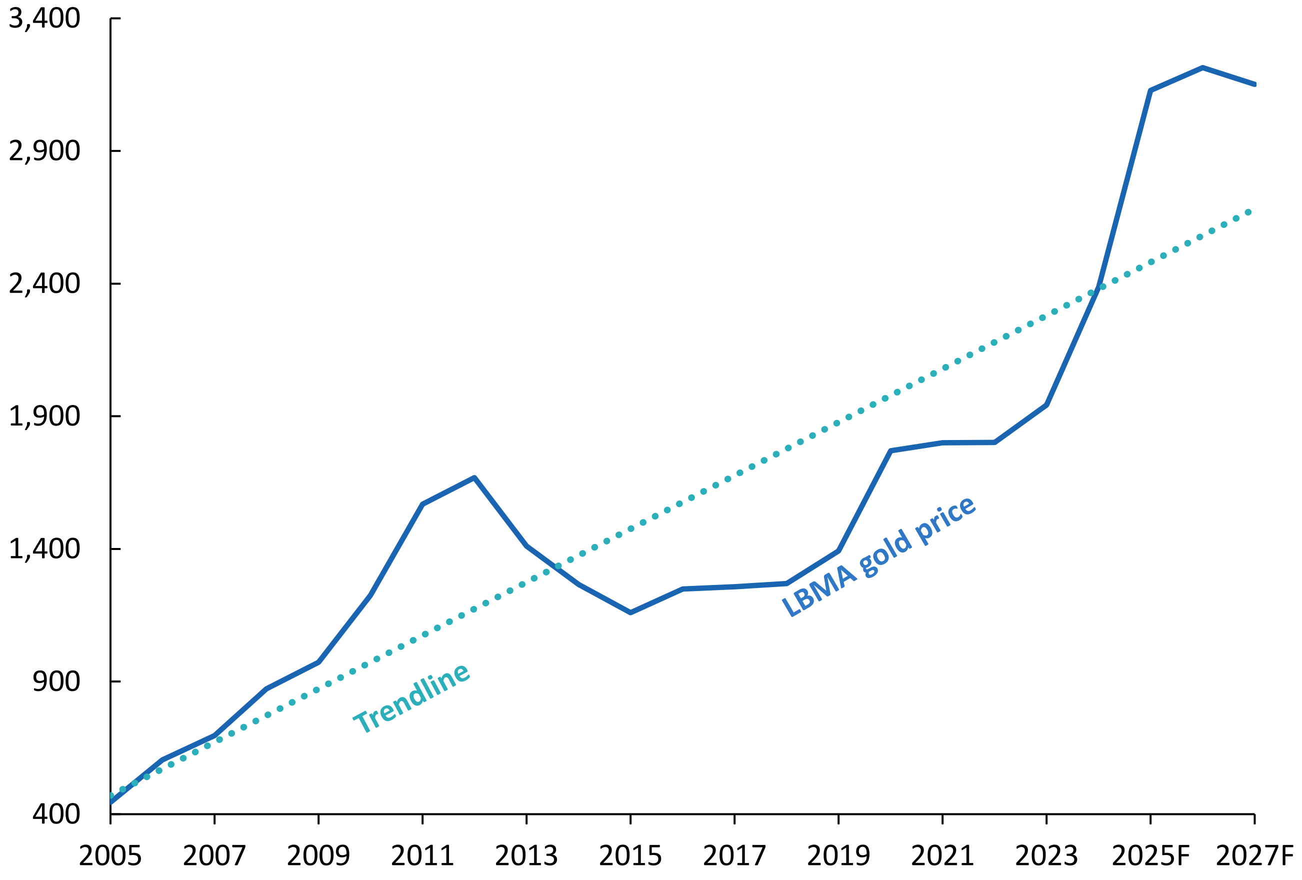
COMMODITY OUTLOOKS

Gold

Karicia Quiroz, economist

Gold price records continue, fuelled by policy uncertainty

US$ per troy ounce



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

We expect the gold price to reach new records in the short-term, driven by trade policy uncertainty and a dimmed U.S. and global outlook. The gold price is forecast to reach US$3,128 per troy ounce in 2025 and US$3,214 per troy ounce in 2026.

Since December 2024, the monthly gold price has been steadily rising, peaking at US$3,278 per troy ounce in May 2025. Trade policy uncertainty is impacting the U.S. and global economy, with signals pointing to a weaker U.S. dollar and slower economic growth. Central banks and investors are expected to add gold to their portfolios to hedge against U.S. dollar risks. Inflation concerns from the U.S. administration's tariffs have boosted gold demand due to gold's inherent "store of value."

EDC Economics expects the gold price to rise in 2025 and 2026, supported by four expected Federal Reserve rate cuts over the 2025-2026 period. Following the U.S. midterms in 2026, policy uncertainty is expected to decrease, likely leading to a gold price drop to US$3,151 per troy ounce in 2027.

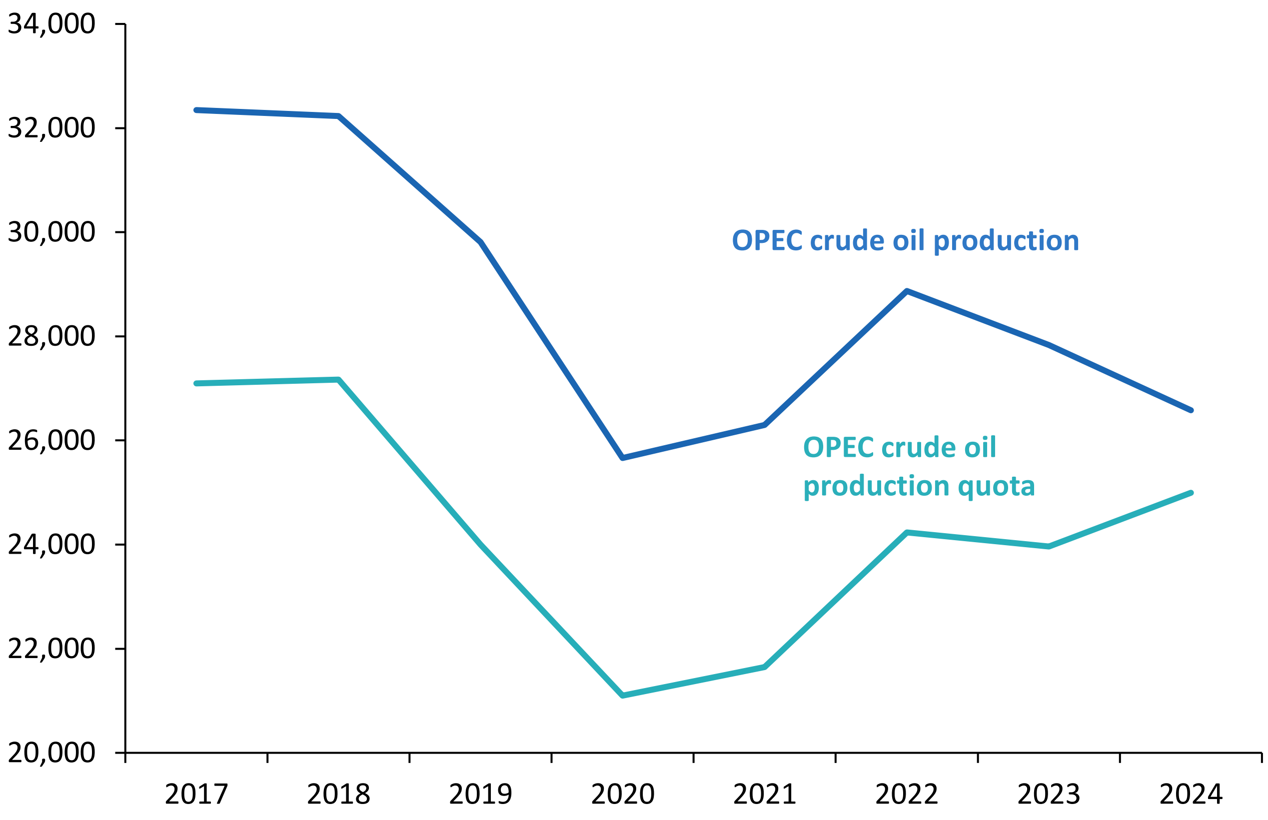
Downside risks include higher-than-expected inflation, which could result in stickier interest rates, reducing gold demand. Upside risks include heightened trade policy and economic uncertainties, which could increase haven demand for gold.

Oil

Zhenzhen Ye, economist

OPEC's quota challenges and market impact

OPEC's quota allocation and actual production (thousand barrels per day)



Oil prices fell to a four-year low in April, dropping below $60 per barrel, after OPEC+, the world's largest oil cartel, which includes OPEC members and additional oil-producing countries, like Russia and Kazakhstan, announced a bigger-than-expected production boost for May. This decision, coupled with global economic weakness due to aggressive U.S. trade policy, is expected to continue driving oil prices downward.

OPEC+ began cutting oil output in 2022 to stabilize the market and support prices, with Saudi Arabia shouldering most of these cuts. However, persistent quota violations among OPEC+ members have partly offset the impact of these cuts.

While co-operation among cartel members is in their best interest, history has shown that the prisoner's dilemma often occurs within the oil cartel. Oil traders remember the 2020 Russia-Saudi Arabia oil price war, when Brent crude oil was cheaper than a cup of Starbucks coffee. Angola left OPEC in 2024 due to disputes over oil production quotas, hindering its ability to attract investment. Recently, Kazakhstan stated that its national interests outweigh OPEC+ policy, further threatening the alliance's unity.

The combination of an oversupplied market, economic growth weakness, and OPEC+ unity risks are expected to pose downside risks to global oil prices.

 Source: Haver Analytics

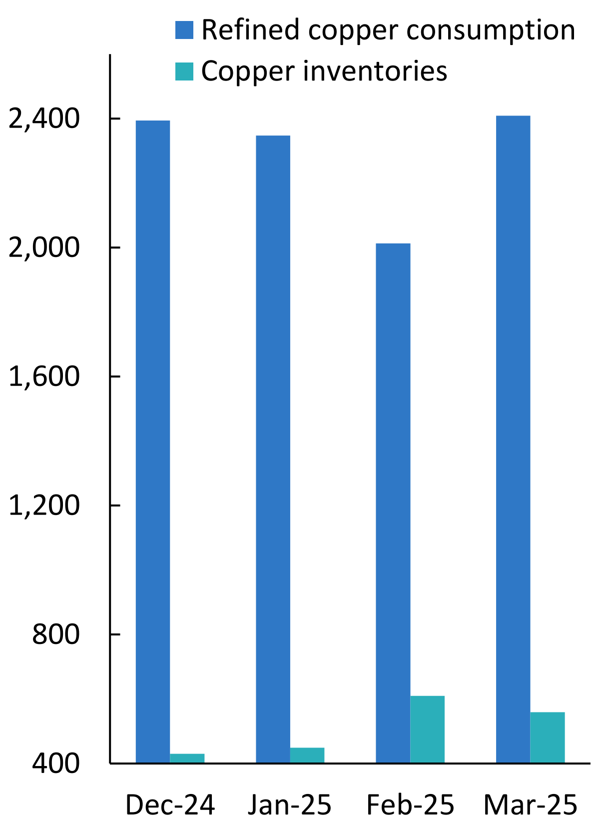
Copper

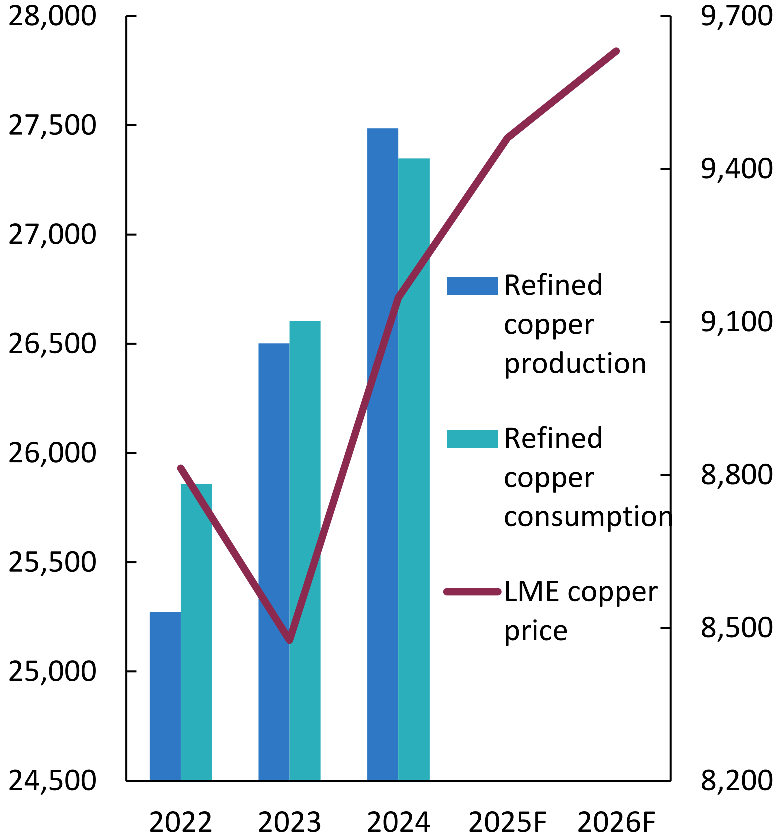
Karicia Quiroz, economist

Copper prices rise despite volatility

Left chart: Thousand metric tonnes

Right chart: Thousand metric tonnes (LHS); US$ per metric tonne (RHS)





Despite short-term volatility driven by trade policy uncertainty, copper demand will continue to rise, pushing up prices. EDC Economics forecasts copper prices to reach US$9,461 per tonne in 2025 and US$9,631 per tonne in 2026.

Copper prices increased to US$9,340 per metric tonne in the first quarter of 2025, a 2% bump from the previous quarter. This was driven by increased global demand, including a temporary boost in U.S. import demand ahead of potential tariffs from the Trump administration's 270-day copper investigation. Significant stockpiling, particularly by China, also contributed.

Despite short-term volatility, copper prices will continue to rise due to its importance in industries such as construction, electrical network infrastructure and consumer products. However, U.S. tariffs and a weaker global and China economic outlook will weigh on price growth. China accounts for more than half of global copper consumption, and while prices increased by 7.9% year-over-year (y/y) in 2024, growth is expected to slow to 3.4% in 2025 and 1.8% in 2026. Tight supply amidst growing demand will elevate copper prices.

Upside risks include expanded Chinese fiscal stimulus measures boosting domestic consumption in copper-using sectors. Downside risks include Trump 2.0 policies increasing trade war risks and worsening the global and China economic outlook.

Sources: International Copper Study Group (ICSG), Fast Markets/Haver Analytics, EDC Economics.

Note: LME=London Metal Exchange. F=forecast. ICSG's 2024 and 2025 estimates for refined production and refined consumption are preliminary.

Copper inventories are an approximation by summing warehouse stocks across the LME, the U.S.-based Commodity Exchange (COMEX), and Shanghai Futures Exchange (SHFE).

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**	**1.0**	**1.5**	**2.1**	**2.0**	**1.8**
Canada	1.6	0.8	1.1	2.7	2.1	1.7
United States	2.8	1.4	1.7	2.8	2.5	2.2
Eurozone	0.8	1.0	1.3	1.7	1.4	1.3
Germany	-0.2	0.4	1.4	2.0	1.2	1.0
France	1.1	0.5	1.2	1.6	1.4	1.3
Developing countries	**4.3**	**3.7**	**4.0**	**4.3**	**3.8**	**3.6**
China	5.0	4.6	4.1	4.3	3.5	3.3
India	9.2	6.5	6.5	6.5	6.9	6.4
Indonesia	5.0	4.9	4.9	4.9	4.9	4.7
Brazil	3.0	2.6	1.7	1.8	1.6	1.5
Mexico	1.2	0.0	0.9	2.2	2.4	2.3
World	**3.3**	**2.6**	**3.0**	**3.4**	**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	2025^F	2026^F	2027^F	2028^F	2029^F
Currencies	**Exchange rate**						
U.S. dollar	USD per CAD	$0.73	$0.72	$0.75	$0.77	$0.79	$0.81
Euro	USD per EUR	$1.08	$1.12	$1.18	$1.18	$1.20	$1.22
Euro	CAD per EUR	$1.48	$1.56	$1.57	$1.54	$1.52	$1.51
Interest rates, annual average							
Bank of Canada *(Overnight target rate)*		4.55	2.59	2.02	2.36	2.77	2.77
U.S. Federal Reserve *(Fed funds target rate–Mid-point)*		5.19	4.35	3.78	2.84	2.58	2.58
European Central Bank *(Policy interest rate)*		4.14	2.20	1.75	1.76	1.76	1.76

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	$69.7	$67.5	$67.5	$69.1	$71.0
West Texas Intermediate, *USD/bbl*	$76.1	$64.7	$62.7	$64.0	$65.6	$67.5
Western Canada Select, *USD/bbl*	$61.7	$53.0	$50.9	$50.5	$52.1	$54.0
Natural gas, *USD/MMBtu*	$2.2	$3.8	$3.9	$3.6	$3.6	$3.7
Gold, *USD/troy ounce*	$2,387	$3,129	$3,217	$3,154	$2,842	$2,471
Copper, *USD/tonne*	$9,148	$9,464	$9,641	$9,768	$9,993	$10,123

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

Disclosure

Media inquires

1-888-222-4065
media@edc.ca

TAKE ON THE WORLD

EDC

UN MONDE À CONQUÉRIR