

Weekly Bottom Line

March 28, 2025

Highlights

Canada

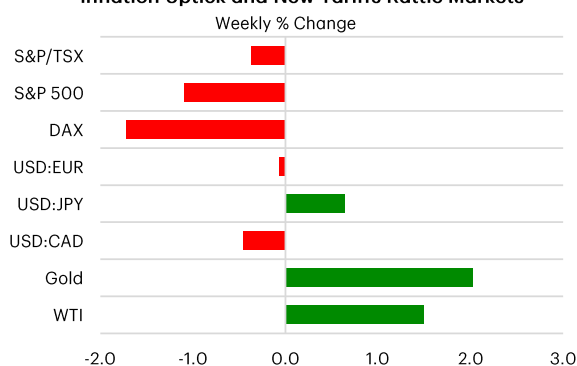
- The announcement of U.S. tariffs on the auto sector this week could be a major downside risk for the Canadian economy. Attention now turns to the April 2nd “reciprocal tariff” announcement and Canada’s response.
- Not surprisingly, a major survey of businesses showed that business confidence took a tumble in March.
- Before trade tensions emerged as the most important issue for the Canadian economy, the latest data show the economy had held up in January, although the service sector did show some weakness.

U.S.

- This week’s announcement of new automobile tariffs caught markets by surprise. But now all eyes are focused on updates on reciprocal tariffs next week.
- The U.S. economy had been humming, but as uncertainty ramps up and consumer confidence continues to dip, the risks of a slowdown are building.
- Worryingly, inflation momentum picked up again in February suggesting price growth could be stickier than anticipated.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5592	5668	6144	4967
S&P/TSX Comp.	24855	24968	25808	21517
DAX	22500	22892	23419	17339
FTSE 100	8664	8647	8871	7820
Nikkei	37120	37677	42224	31458
Fixed Income Yields				
U.S. 10-yr Treasury	4.26	4.25	4.79	3.62
Canada 10-yr Bond	3.04	3.00	3.87	2.83
Germany 10-yr Bund	2.73	2.77	2.90	2.03
UK 10-yr Gilt	4.70	4.71	4.89	3.76
Japan 10-yr Bond	1.54	1.52	1.59	0.71
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.70	0.70	0.74	0.69
Euro (USD per EUR)	1.08	1.08	1.12	1.02
Pound (USD per GBP)	1.29	1.29	1.34	1.22
Yen (JPY per USD)	150.1	149.3	161.7	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	69.1	68.3	86.9	65.8
Natural Gas (\$US/MMBtu)	3.87	3.94	9.33	1.22
Copper (\$US/met. tonne)	9800.2	9813.5	10800.8	8640.9
Gold (\$US/troy oz.)	3083.6	3022.2	3083.6	2229.9

Inflation Uptick and New Tariffs Rattle Markets



Note: Data as of 12:00 PM ET, Friday, March 28, 2025.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	4.25 - 4.50%
Bank of Canada (Overnight Rate)	2.75%
European Central Bank (Refi Rate)	2.65%
Bank of England (Repo Rate)	4.50%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

Canada – Bracing for Impact

Vikram Rai, Senior Economist
416-923-1692

Going into this week, April 2nd, the day that the United States is expected to announce reciprocal tariffs on all its trading partners, already loomed large over the Canadian economy. Many questions remained, such as the coverage of countries and goods, and the size of the tariff. Then the Trump administration surprised markets this week with an announcement of a 25% tariffs on the auto sector, scheduled to take effect on April 3rd. We covered what we know about these tariffs in [our report yesterday](#) but many questions remain, including exactly how high the tariff will be for Canada. As of now, there are some indications that Canada and Mexico may receive a lower tariff on autos than other countries. We expect that the full picture of U.S. tariff measures will remain somewhat in flux at least until April 2nd, and the same is likely true for any response from the Canadian government.

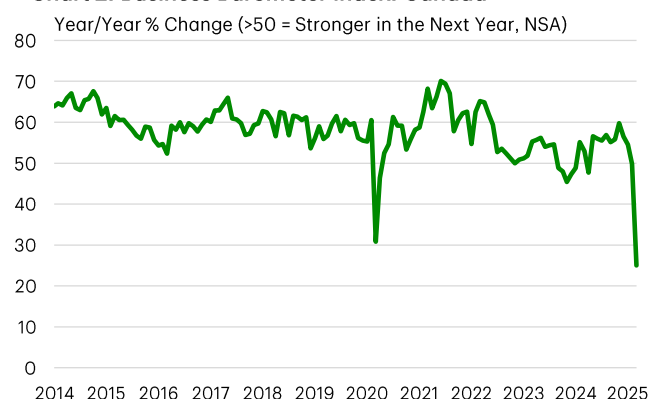
But the world still turns, and the data still come in. We released [our commentary on today's Canadian GDP](#) by industry earlier this morning, which showed that Canada's economy surged in January, on top of a healthy pace in December. The major driver of January's pickup was mining and oil and gas extraction, which accounted for nearly a third of all growth in January. Manufacturing and construction also did well, while the major laggard was retail. These data show the state of the economy through January 2025, much of it from before the world realized tariff uncertainty would be omnipresent for the next two months. These data suggest that the goods-producing sector in Canada

Chart 1: Canadian Monthly GDP Held Up in January



Source: Statistics Canada, TD Economics.

Chart 2: Business Barometer Index: Canada



Source: Canadian Federation of Independent Businesses, TD Economics.

was on solid footing in January, as we can see in Chart 1. But much of that likely represented firms' attempt to get ahead of impending tariffs. The next release may tell a different story, as the advance estimate for February is already pointing to no growth in monthly GDP.

We don't have to wait to see some indication that tariffs are taking a toll already. After all, last week we saw soft retail sales and housing sales in February, the first major hard data prints for the month. This week, the CFIB Business Barometer for March was released, and it showed that business confidence in Canada has taken a major hit, falling to the lowest in ten years and lower than at any point during the COVID-19 pandemic. It seems businesses are bracing for a difficult year ahead.

The new Quebec budget released earlier this week underscored that these concerns are top of mind across Canada. It included measures to give relief to consumers and businesses hurt by tariffs, and to support infrastructure investment, as we discussed in [our report earlier this week](#). The Bank of Canada also released their summary of deliberations from their last interest rate cut decision. These emphasized how much tariff threats are weighing on their outlook. The BoC likely would not have cut interest rates in March were it not for tariff threats and elevated uncertainty. Next week, we'll see how the Canadian labour market has held up through March, and we'll receive international trade data, which may also contain some clues about how businesses have been managing the shifting trade environment. But all eyes and ears are going to be on the April 2nd tariff announcement and Canada's response.

U.S. – Waiting for April 2nd

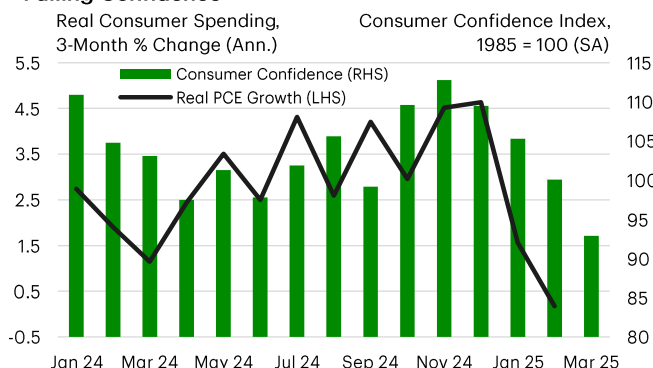
Andrew Hencic, Senior Economist
416-944-5307

After steadily rallying since mid-March, markets took a step back this week when new U.S. tariffs on automobiles and parts were announced. The news comes ahead of next week's much anticipated update on reciprocal tariffs that are expected to cover major U.S. trading partners. In the meantime, February's Personal Income and Outlays report showed that core inflation picked up again, while spending growth failed to recover from last month's decline. The U.S. economy had been humming, but as uncertainty ramps up and consumer confidence continues to dip, the risks of a slowdown are building. All eyes are now firmly focused on next week's tariff announcement for more clarity on the operating environment going forward.

The big news this week was President Trump's announcement of new tariffs on automobile imports of 25%, set to take effect on April 3rd. This comes ahead of the expected announcement next week on reciprocal tariffs that markets had been bracing for. At the time of writing, most countries had held off on any new retaliation, likely opting to wait and see what's in store from next week's announcements before proceeding. [As we wrote](#), the full impact of the autos tariffs will depend on their duration and how much of the cost firms pass along to their customers.

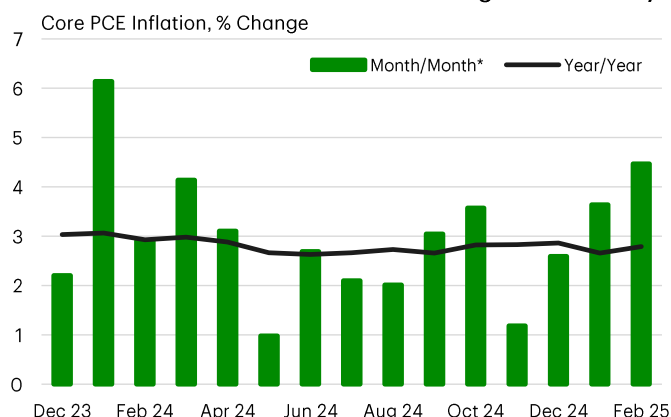
Yet, while we await more clarity on the import taxes, consumer confidence continues to dip, and the darkening moods appear to be flowing through to behavior. The Conference Board measure of consumer confidence has fallen to its lowest level since early-2021.

Chart 1: U.S. Consumer Spending Growth Softens Amid Falling Confidence



Source: Bureau of Economic Analysis, Conference Board, Haver Analytics, TD Economics.

Chart 2: U.S. Core Inflation Accelerates Again in February



*Annualized. Source: Bureau of Economic Analysis, TD Economics.

With sinking sentiment, an adjustment in consumer spending appears to be unfolding as real outlays in February failed to recover from the tumble they took in January (Chart 1). This leaves the three-month annualized change in real consumer spending at 0.2%, well short of the 4.6% clip recorded in December. First quarter consumer spending is now tracking only a 0.5% annualized pace, a downgrade from our recent [forecast](#). Importantly, the pullback in real spending is coming at a time of still-healthy income growth, so with the savings rate ticking up to 4.6% (its highest level since June of last year), this suggests that some precautionary savings could be taking place.

Part of the story is that inflation looks to be heating up again. Higher price growth is cutting into consumers' purchasing power, restraining real outlays. The core personal consumption expenditures price index saw its biggest monthly gain since January of last year, taking the annual pace to 2.8% (Chart 2). Inflation momentum appears to be gaining steam, and consumer are noticing. Inflation expectations for the year ahead jumped to their highest levels since late-2022.

For the Fed, the combination of softening growth and rising inflation are troublesome. Yet, what could make it more complicated is if inflation expectations continue to rise, creating a self-reinforcing loop of greater price pressures. For now, though, we wait for next week for more clarity on the next set of tariffs to better guide our [assumptions](#) around the forecast.

Exhibits

Recent Key Economic Indicators: Mar 24 - 28, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Mar 24	S&P Global US Composite PMI	Mar	Index	53.5	51.6
Mar 24	S&P Global US Manufacturing PMI	Mar	Index	49.8	52.7
Mar 24	S&P Global US Services PMI	Mar	Index	54.3	51.0
Mar 25	Building Permits	Feb	Thsd	1459.0	1456.0
Mar 25	S&P CoreLogic CS 20-City NSA	Jan	Y/Y % Chg.	4.7	4.5
Mar 25	S&P CoreLogic CS US HPI NSA	Jan	Y/Y % Chg.	4.1	4.0
Mar 25	Conf. Board Consumer Confidence	Mar	Index	92.9	100.1
Mar 26	Cap Goods Orders Nondef Ex Air	Feb	M/M % Chg.	-0.3	0.9
Mar 26	Durable Goods Orders	Feb	M/M % Chg.	0.9	3.3
Mar 27	Advance Goods Trade Balance	Feb	Blns	-147.9	-155.6
Mar 27	Gross Domestic Product (Annualized)	Q4	Q/Q % Chg.	2.4	2.3
Mar 27	Personal Consumption	Q4	Q/Q % Chg.	4.0	4.2
Mar 27	Initial Jobless Claims	Mar 22	Thsd	224.0	225.0
Mar 27	Pending Home Sales	Feb	M/M % Chg.	2.0	-4.6
Mar 28	PCE Price Index	Feb	M/M % Chg.	0.3	0.3
Mar 28	PCE Price Index	Feb	Y/Y % Chg.	2.5	2.5
Mar 28	Core PCE Price Index	Feb	M/M % Chg.	0.4	0.3
Mar 28	Core PCE Price Index	Feb	Y/Y % Chg.	2.8	2.7
Mar 28	Personal Income	Feb	M/M % Chg.	0.8	0.7
Mar 28	Real Personal Spending	Feb	M/M % Chg.	0.1	-0.6
Canada					
Mar 27	Payroll Employment Change (SEPH)	Jan	Thsd	26.8	66.4
Mar 28	Gross Domestic Product	Jan	M/M % Chg.	0.4	0.3
International					
Mar 26	UK Consumer Price Index	Feb	Y/Y % Chg.	2.8	3.0
Mar 27	JN Tokyo Consumer Price Index	Mar	Y/Y % Chg.	2.9	2.8
Mar 28	UK Gross Domestic Product	Q4	Y/Y % Chg.	1.5	1.4
Mar 28	UK Retail Sales Ex Auto Fuel	Feb	Y/Y % Chg.	2.2	0.8

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Mar 31 - Apr 04, 2024						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Apr 1	9:00	<i>Fed's Barkin Discusses Policy, Economic Outlook</i>				
Apr 1	9:45	S&P Global US Manufacturing PMI	Mar	Index	-	49.8
Apr 1	10:00	ISM Manufacturing	Mar	Index	49.8	50.3
Apr 1	10:00	Job Openings	Feb	Mlns	7.69	7.74
Apr 1	17:00	Wards Total Vehicle Sales	Mar	Mlns	15.9	16.0
Apr 2	8:15	ADP Employment Change	Mar	Thsd	119.0	77.0
Apr 2	10:00	Cap Goods Orders Nondef Ex Air	Feb	M/M % Chg.	-	-0.3
Apr 2	10:00	Durable Goods Orders	Feb	M/M % Chg.	-	0.9
Apr 2	10:00	Factory Orders	Feb	M/M % Chg.	0.4	1.7
Apr 2	10:00	Factory Orders Ex Trans	Feb	M/M % Chg.	-	0.2
Apr 2	16:30	<i>Fed's Kugler Speaks on Inflation Expectations</i>				
Apr 3	8:30	Initial Jobless Claims	Mar 29	Thsd	-	224.0
Apr 3	8:30	Trade Balance	Feb	Blns	-110.00	-131.40
Apr 3	9:45	S&P Global US Composite PMI	Mar	Index	-	53.5
Apr 3	9:45	S&P Global US Services PMI	Mar	Index	-	54.3
Apr 3	10:00	ISM Services	Mar	Index	53.1	53.5
Apr 3	12:30	<i>Fed's Jefferson Gives Keynote on Communication</i>				
Apr 3	14:30	<i>Fed's Cook Speaks on Economic Outlook</i>				
Apr 4	8:30	Average Hourly Earnings	Mar	M/M % Chg.	0.3	0.3
Apr 4	8:30	Change in Nonfarm Payrolls	Mar	Thsd	135.0	151.0
Apr 4	8:30	Unemployment Rate	Mar	%	4.1	4.1
Apr 4	11:25	<i>Fed's Powell Speaks on Economic Outlook</i>				
Apr 4	12:00	<i>Fed's Barr Speaks on AI and Banking</i>				
Apr 4	12:45	<i>Fed's Waller Speaks on Payments</i>				
Canada						
Apr 3	8:30	Int'l Merchandise Trade	Feb	Blns	3.50	3.97
Apr 4	8:30	Net Change in Employment	Mar	Thsd	15.6	1.1
Apr 4	8:30	Unemployment Rate	Mar	%	6.7	6.6
International						
Mar 31	19:30	JN Jobless Rate	Feb	%	2.5	2.5
Mar 31	20:30	JN Jibun Bank Japan PMI Mfg	Mar	Index	-	48.3
Mar 31	21:45	CH Caixin China PMI Mfg	Mar	Index	50.6	50.8
Apr 1	5:00	EZ Consumer Price Index Estimate	Mar	Y/Y % Chg.	2.2	2.3
Apr 1	5:00	EZ Unemployment Rate	Feb	%	6.2	6.2
Apr 2	20:30	JN Jibun Bank Japan PMI Services	Mar	Index	-	49.5

*Eastern Standard Time. Source: Bloomberg, TD Economics.

Disclaimer

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