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U.S. and Canadian Economic Outlook: Anything is Possible

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The Truth Hurts

Speaking for most independent central banks.

Tiff Macklem Source: Bank of Canada/Instagram

Takeaways

- Consumer inflation remains a problem because of tariff shocks. Inflation expectations and fiscal risk have risen again, propping up U.S. long-term rates.

- GDP growth in 2025 and 2026 is highly uncertain because of tariff shocks, but plan for economic growth to underwhelm.

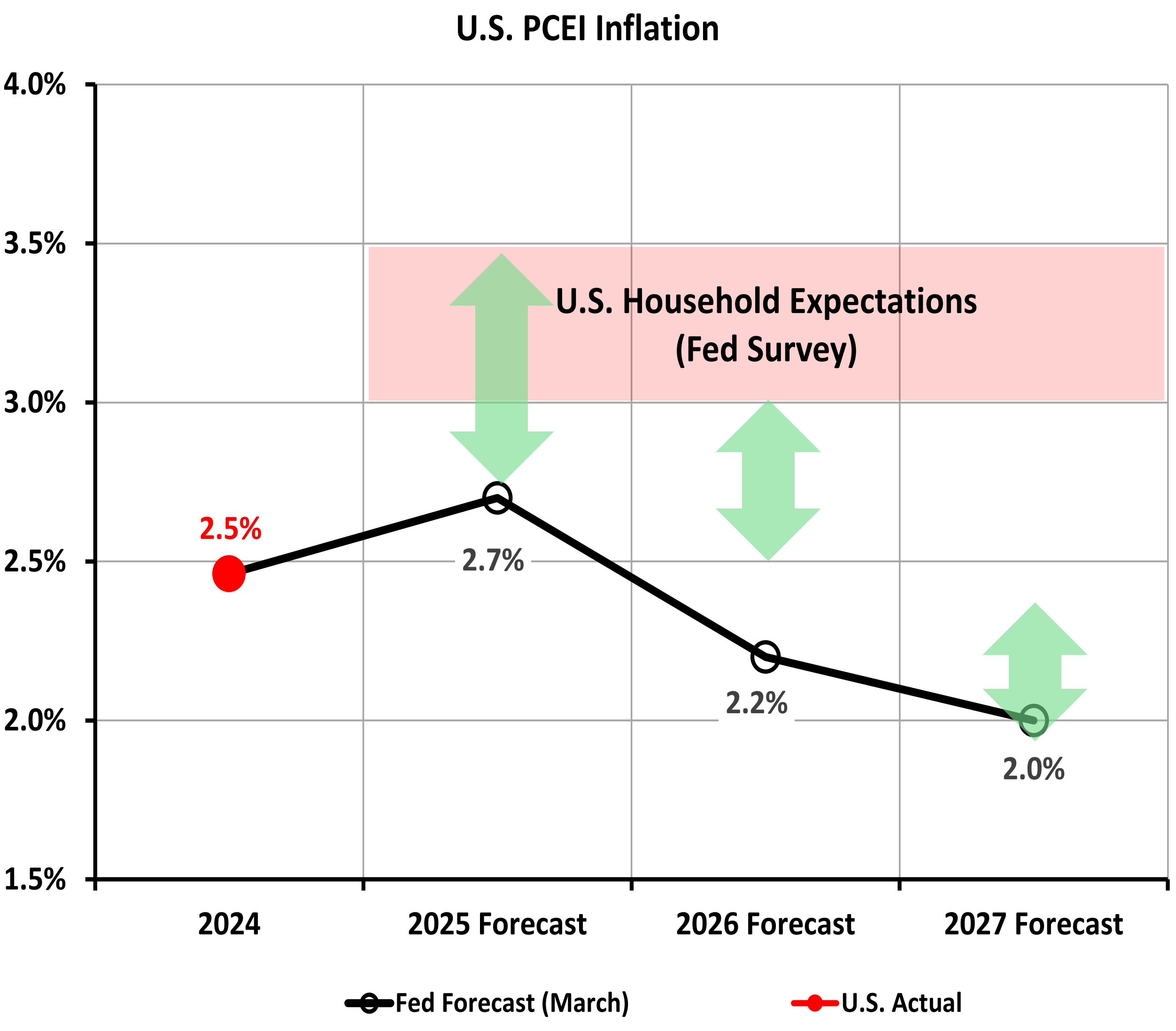
- National Employment growth has slowed and will soften more in 2025 and 2026. Regionally, Idaho and Alberta have the strongest growth.

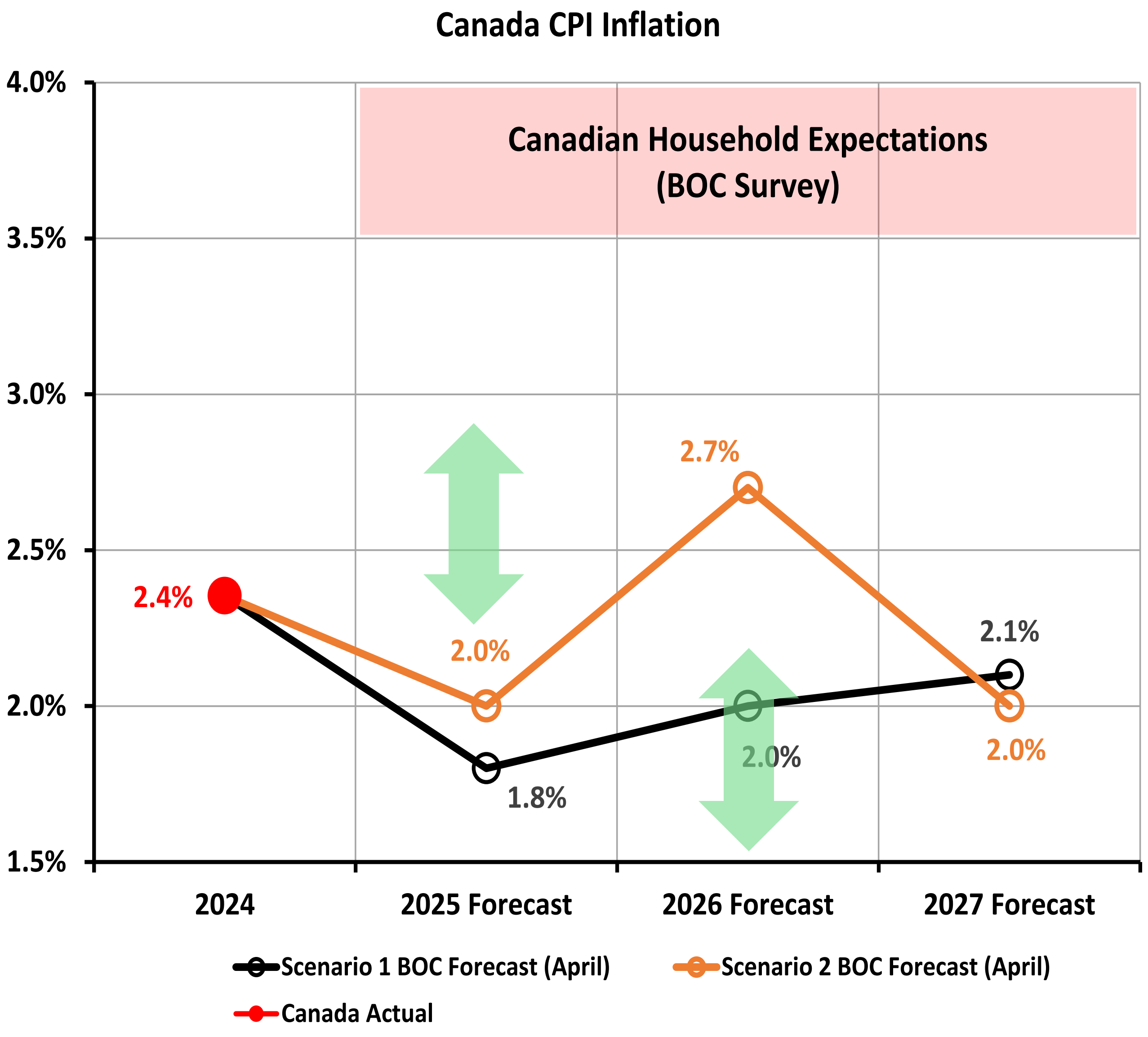
- Beating a dead horse: The U.S. and Canada need faster productivity growth to have long-term GDP growth anywhere near 2%. Tariffs could make things worse.

- Canada's population growth still universally robust; less so for the U.S.

Consumer Inflation, 2024-2027

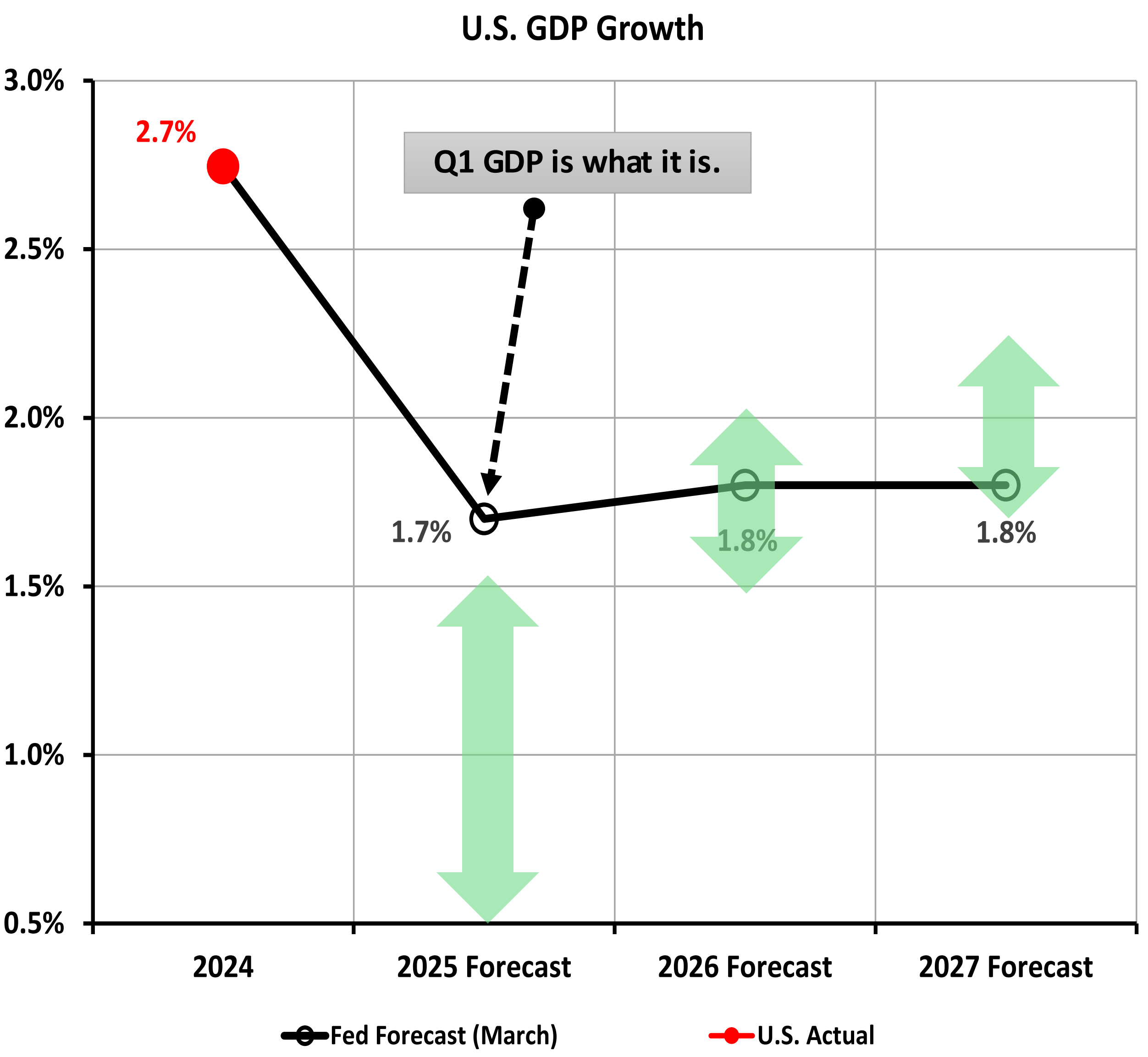
A consistent 2% rate remains elusive

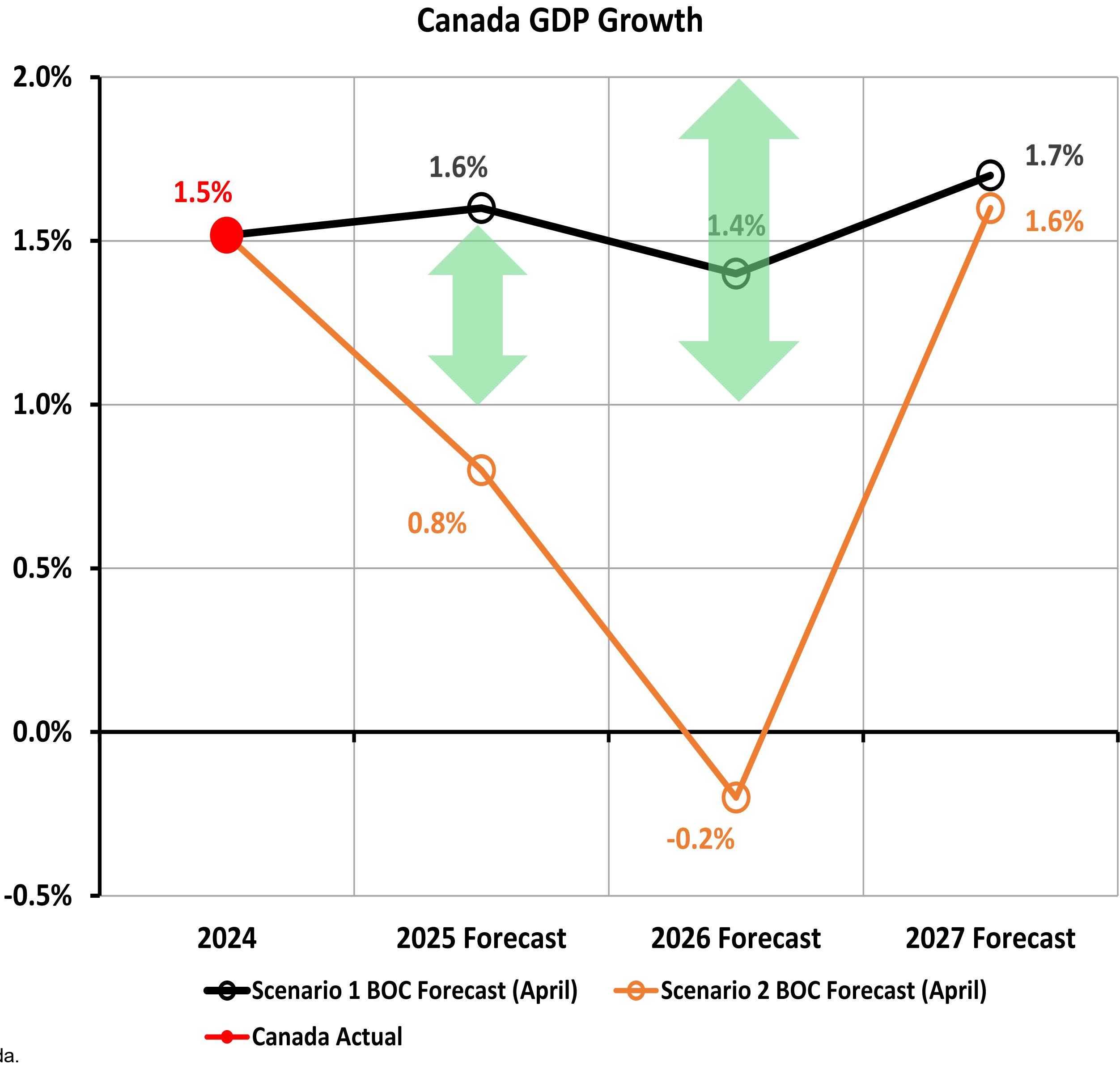




Source: Federal Reserve and Bank of Canada forecasts. Various non-central bank forecasts. 2024 data from BEA and Statistics Canada.

GDP Growth, 2024-2027
Expect sub-par growth even with some trade deals



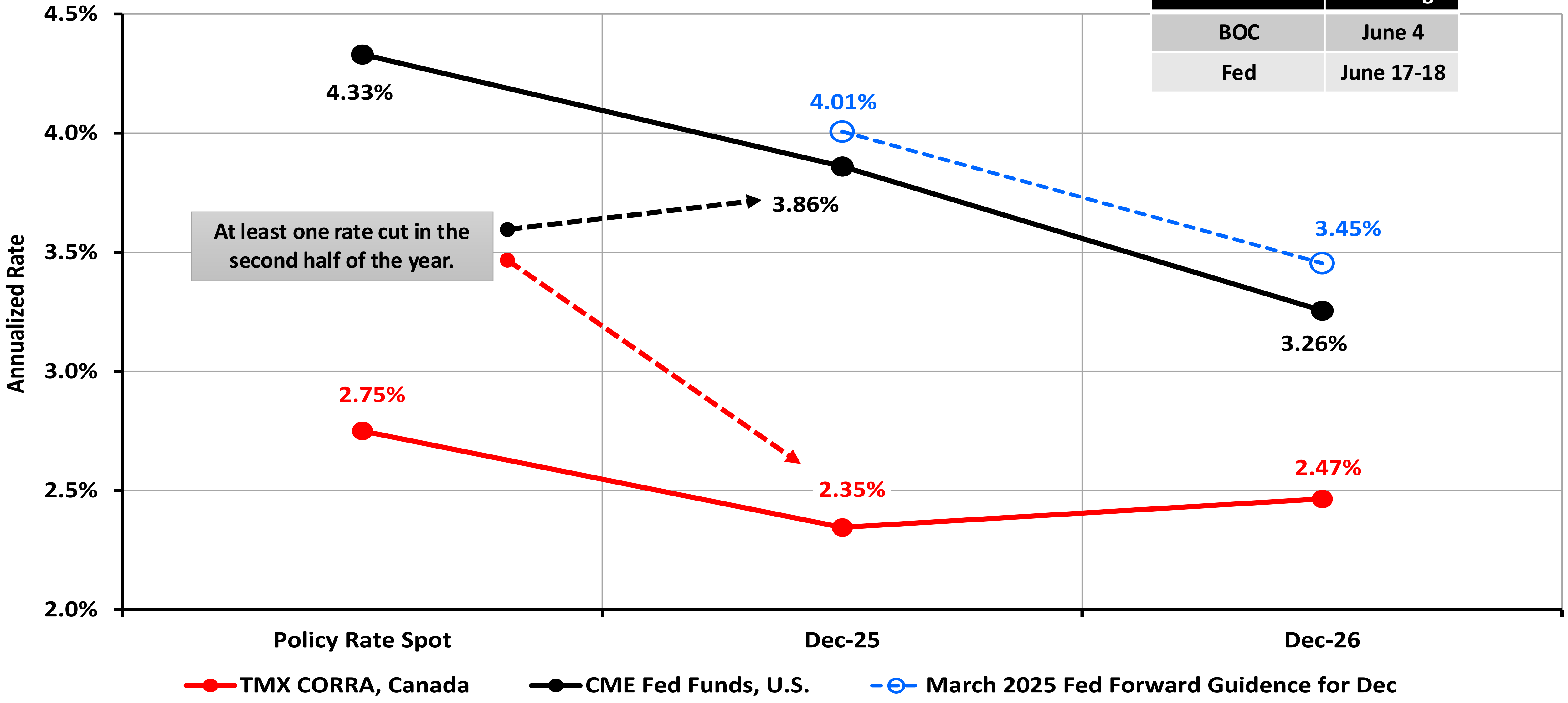


Source: Federal Reserve and Bank of Canada forecasts. Various non-central bank forecasts. 2024 data from BEA and Statistics Canada.

Policy Rate Expectations on May 30, 2025

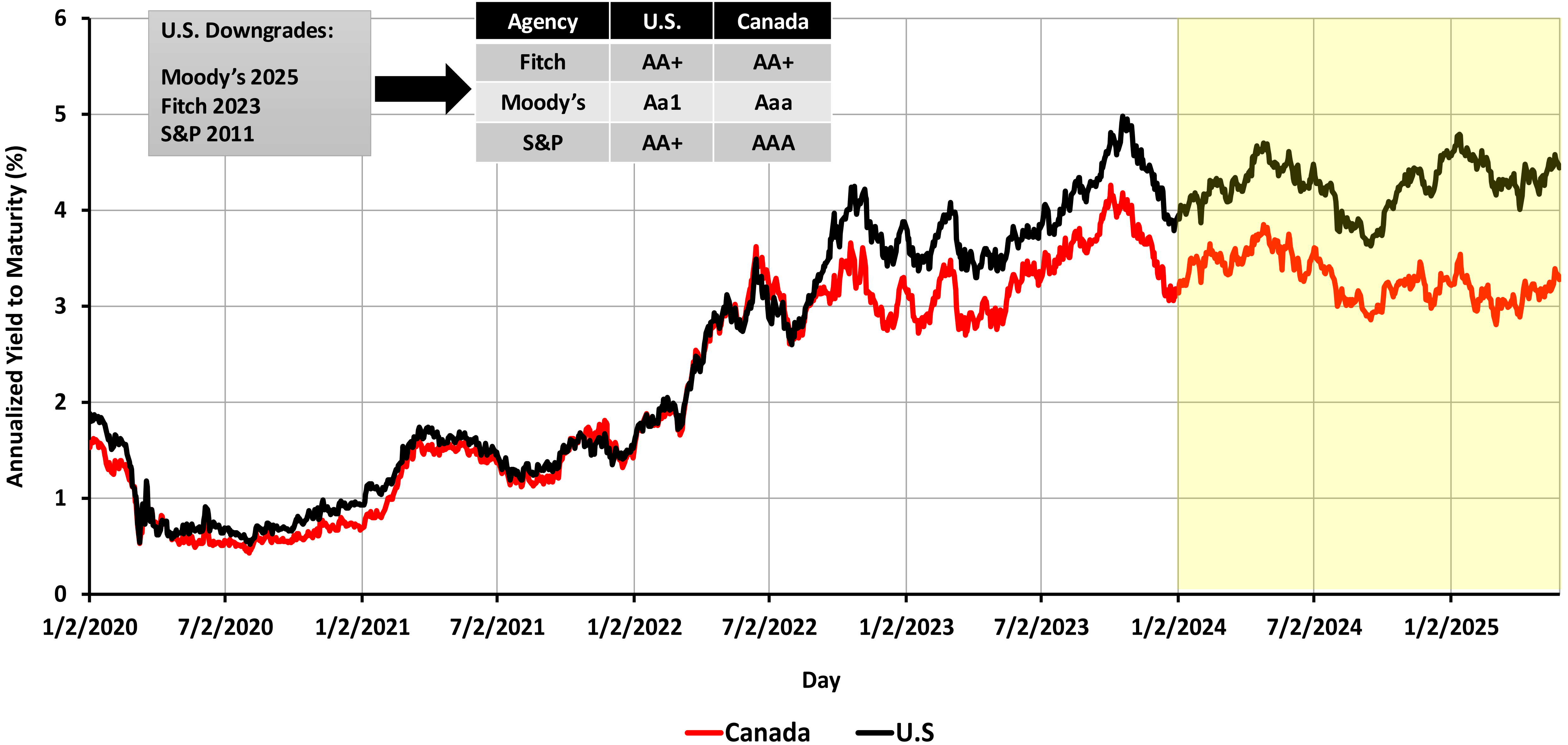
Spiritually, central banks are in a bad place

Central Bank	Meeting
BOC	June 4
Fed	June 17-18



10 Year Government Bond Yield, 2020-2025

Inflation and fiscal risk: So long U.S. AAA/Aaa—thanks for the memories

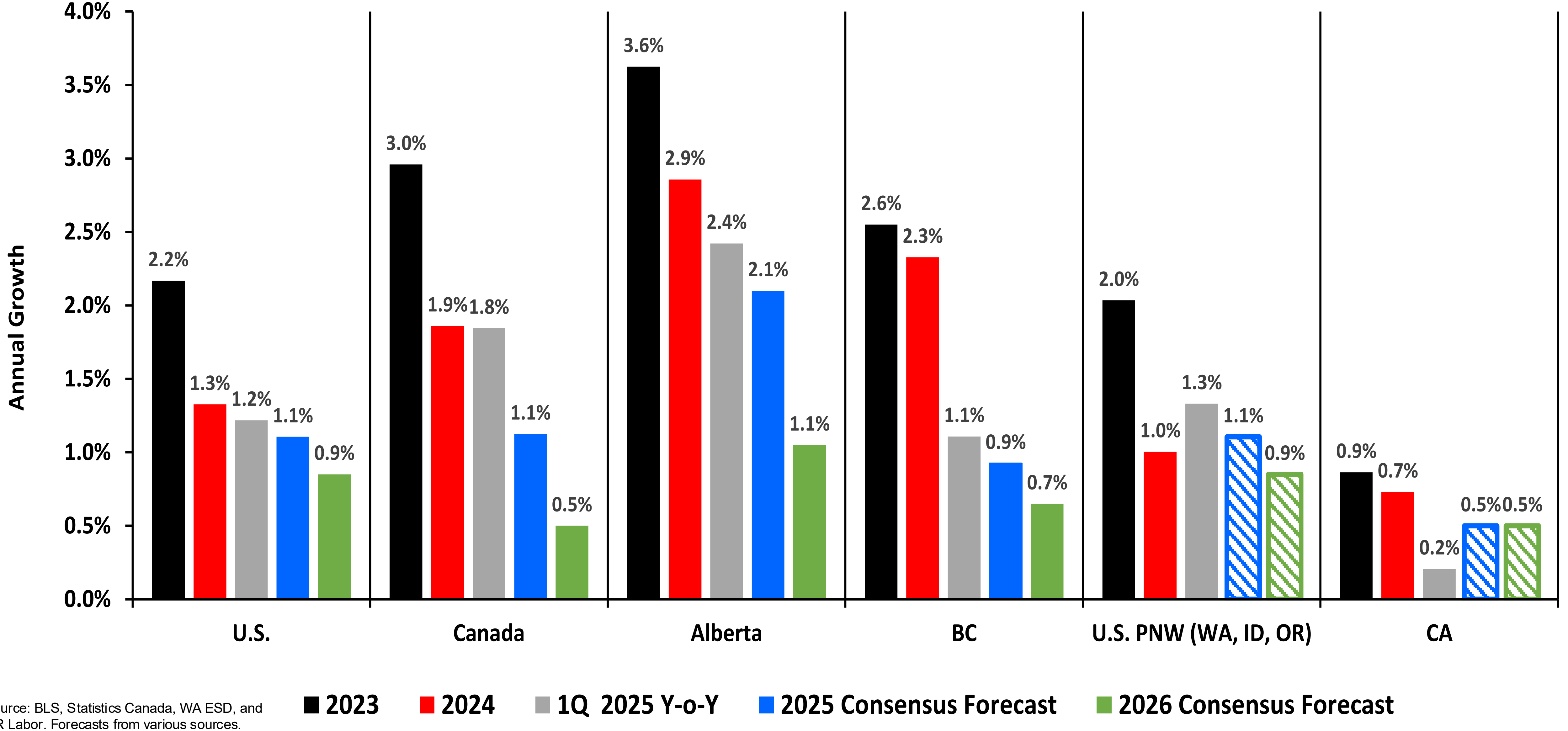


Agency	U.S.	Canada
Fitch	AA+	AA+
Moody's	Aa1	Aaa
S&P	AA+	AAA

Source: FRED, Bank of Canada, Moody's, S&P, Fitch, and author's calculations.

Employment Growth, 2023-2026

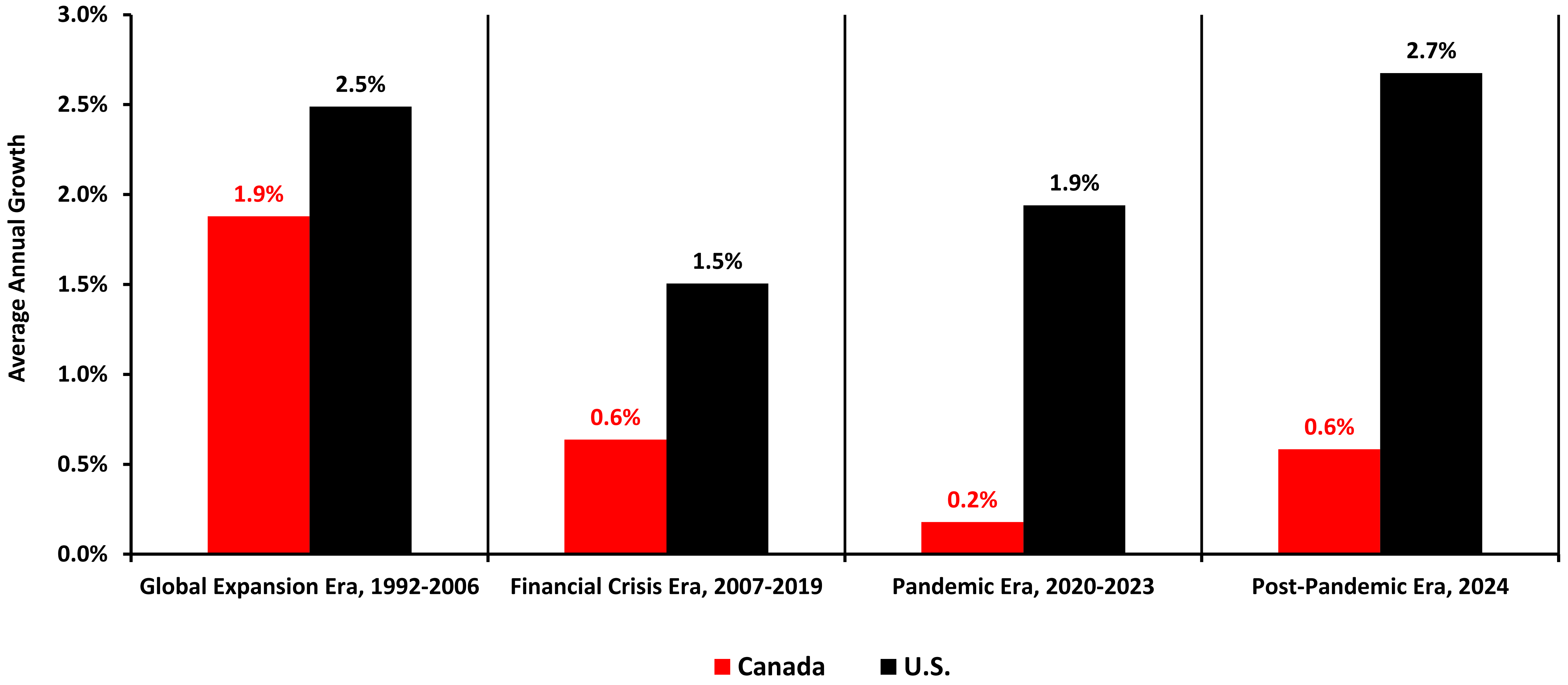
Look for a softer labor market in 2025 and 2026



Source: BLS, Statistics Canada, WA ESD, and OR Labor. Forecasts from various sources. Includes author's calculations and forecasts.

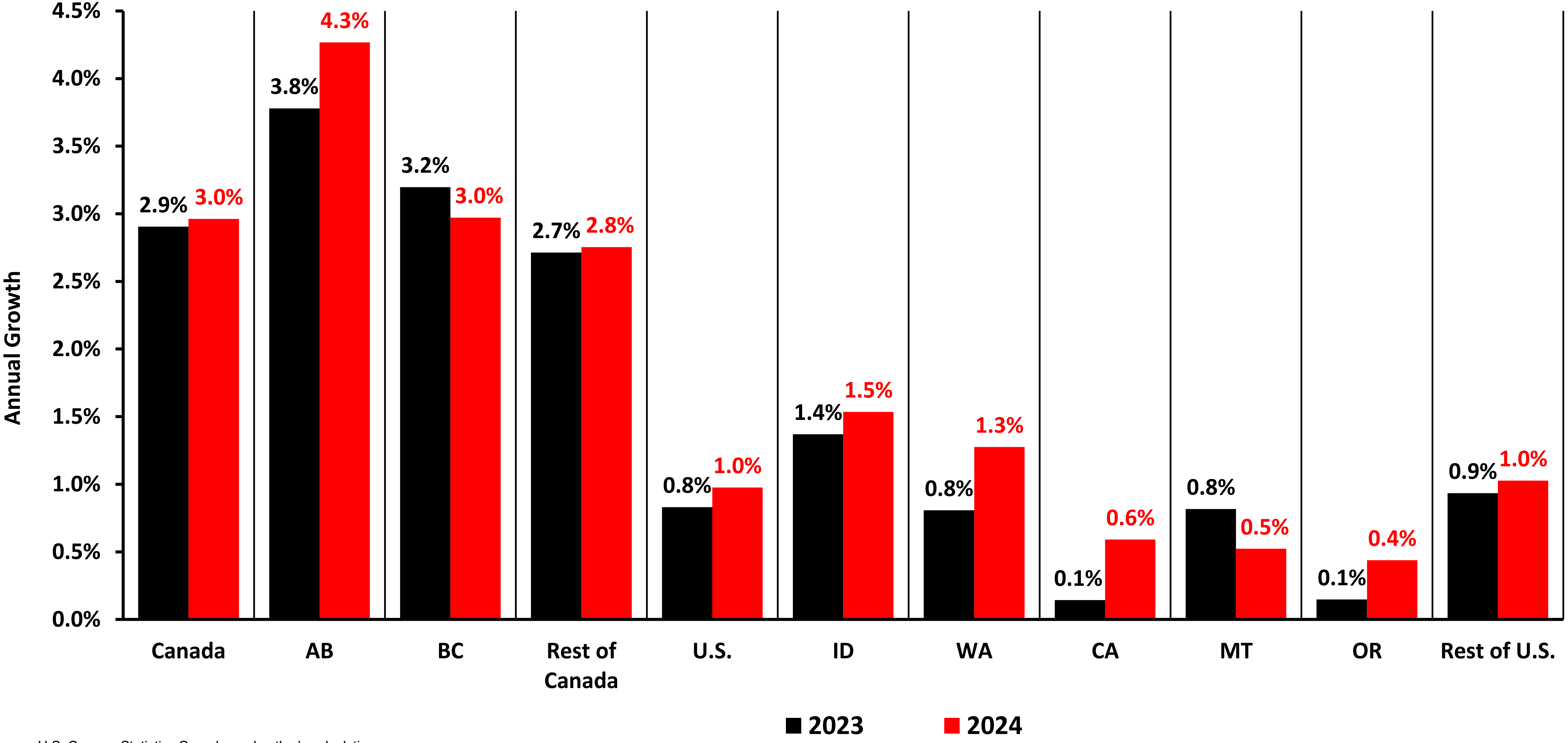
Labor Productivity Growth

Canada is still struggling with productivity growth



Source: BLS, Statistics Canada, and author's calculations

Population Growth, 2023-2024
It's still about migration



Source: U.S. Census, Statistics Canada, and author's calculations.

Thank You

Questions?