Quarterly Economic Forecast

Global Economy: Peak Uncertainty

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Summary

- The slowdown in global activity has intensified since November, particularly in Europe and East Asia. This is occurring due to a mix of temporary and more insidious influences that are muddying the waters on the underlying trend. Global economic growth is expected to track roughly 3.2% in 2019, which is a slight mark-down from our previous estimate of 3.4%.
- Europe has the misfortune of a collision of two downdrafts. The first includes temporary production disruptions related to new environmental standards. This influence should slowly unwind in 2019. The second downdraft, however, has the potential to be more detrimental to the outlook. Early data signals point to an underlying malaise in core European economies that likely reflects the layering of elevated trade uncertainty, slowing foreign demand, and related declines in consumer and business sentiment. This bears closer monitoring for evidence of stabilization.
- Peak global uncertainty and slowing economic activity have caused policymakers to pivot towards greater patience. As a result, last year's global stock selloff has largely reversed, and other measures of financial market stress are easing. This relative calm in the market can easily be disrupted if the economic data consistently disappoint and/or political tensions reignite global uncertainty.
- Political trade uncertainty remains the biggest near-term risk to market sentiment and global growth prospects. Despite some optimism recently expressed on a China-U.S. trade compromise, there is little scope for a quick resolution on the weightier topics of corporate malfeasance. Furthermore, a China deal would not remove trade risks altogether. The U.S. administration will then pivot to the EU as its next target. The U.S. continues to wield the threat of auto tariffs to enhance its position in trade negotiations this year.

Chapters

Forecast Tables

U.S. economy slowing, but resilient

- Economic activity decelerated at the close of 2018, but remained on steady footing at 2.6% in Q4. For the year as a whole, the economy likely expanded by 2.9%. These estimates remained consistent with our December forecast cycle.
- The 2019 quarterly GDP pattern carries through a softening trend. This has been a main feature of our forecast for some time, as fiscal and monetary stimulus wanes. The 2019 forecast is tracking a tad softer than in December, at 2.4% (with Q1 carrying an extra weight from the government shutdown). Real GDP in 2020 is projected to be 2.0%, as fiscal stimulus shifts to fiscal drag.
- Consumer spending has been a pivotal source of strength in 2018, despite December weakness due to a perfect storm from equity volatility and the government shutdown. Persistent strength in the job market still offers upside risk in this area of our 2019 consumer forecast profile.
- In contrast, slower global growth and softer business confidence will manifest in softer business investment in our upcoming forecast. Likewise, housing investment has remained soft, as we expected. The recent drop in mortgage rates should offer a helping hand.
- Fiscal policy has not left the landscape as a downside risk. Although a second government shutdown has been averted, a bigger hurdle will present itself at the end of 2019, when Congress needs to reach a new spending deal. The alternative would result in damaging automatic spending cuts taking effect. All else equal, this would significantly compromise our 2020 real GDP growth estimate, bringing it to 1.3%. Given recent difficulties within Washington in agreeing to funding levels for the current fiscal year, this risk is as important as ever.
- In the wake of a larger diffusion of softening economic momentum across countries and persistent downside risks, the Federal Reserve has shifted to a wait-and-see stance. We removed rate hikes from our forecast, and any further move is highly conditional on solid economic momentum ultimately feeding into higher inflation expectations, which is currently lacking.

Economic & Financial Forecasts

	2018	2019F	2020F
Real GDP (annual % change)			
Canada	1.8	1.2	1.8
U.S.	2.9	2.4	2.0
Canada (rates, %)			
Overnight Target Rate	1.75	1.75	1.75
2-yr Govt. Bond Yield	1.86	1.85	1.85
10-yr Govt. Bond Yield	1.96	2.10	2.10
U.S. (rates, %)			
Fed Funds Target Rate	2.50	2.50	2.50
2-yr Govt. Bond Yield	2.48	2.50	2.50
10-yr Govt. Bond Yield	2.69	2.85	2.85
WTI, $US/bbl	59	62	66
Exchange Rate (USD per CAD)	0.73	0.75	0.76

F: Forecast by TD Economics, March 2019; Forecasts for oil price, exchange rate and yields are end-of-period. Source: Bloomberg, Bank of Canada, U.S. Federal Reserve.

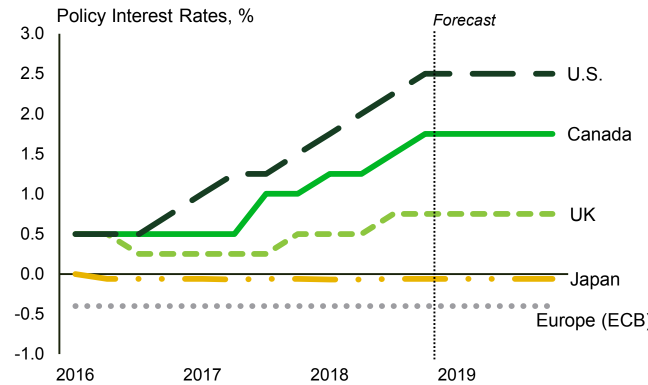
Canada: consumers set a slower tempo

- The near-term outlook is unquestionably soft. Broad based weakness within domestic demand has left the economy treading water. Real GDP in Q4 2018 was a mere 0.4% and a slight contraction of output is expected in Q1 2019. However, more positive growth dynamics are expected to take hold thereafter, as oil production curtailment reverses course, and labour markets remain healthy.
- Near-term pressures constrain our 2019 GDP forecast as a whole to 1.2%, although acceleration to 1.8% is anticipated in 2020. This outlook should be sufficient to keep the unemployment rate near the 5.9% mark.
- Our greatest current concern resides with the resiliency of Canadian household spending. In recent months, there have been larger than expected disappointments in consumer spending, particularly within purchases that tend to be more hitched to home sales and interest rates. We had always built in a "soft deleveraging" cycle into the forecast, and recent data appear to be playing forward this narrative, but perhaps with more vigour than is preferred. We are looking for confirmation in the data that the solid job market and more benign path for interest rates will remain supportive to the outlook.

Global Outlook - Hit The Reset Button...Please!

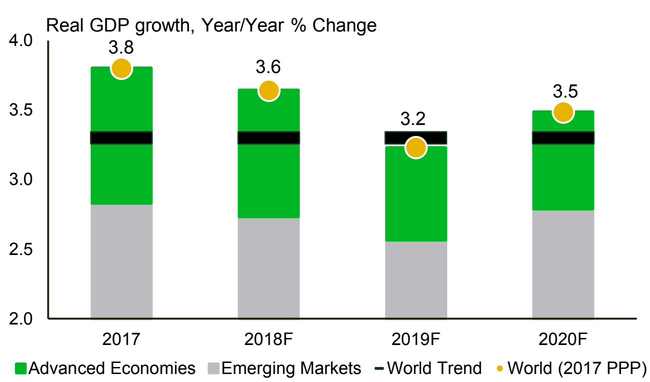
- A deceleration in advanced economy growth has driven the markdown in our global growth forecast to 3.2% this year (Chart 1), versus 3.4% in December.
- Early warning indicators do not signal an imminent global recession, however we are concerned about Europe's sudden and dramatic slowdown toward the end of last year. We have long said that the first quarter of 2019 will be the make-or-break quarter of defining direction due to the lengthy period of high event risks that are bleeding into business sentiment and greater market risk-aversion. This has become more pressing.
- Globally, the manufacturing and trade sectors are bearing the weight of unresolved political outcomes, and it is now a question of how much longer other supportive fundamentals - such as falling unemployment and firming real wage gains - can remain in place.
- The long passage of time with ongoing U.S.-China trade policy uncertainty is taking a toll on EM economies. In turn, the manufacturing slump is impacting advanced economies in Europe and developed Asia. Relatively lower linkages to EMs has created more resilience in the U.S., but it too is losing some steam. The U.S. is better positioned to continue to outperform its peers, but not with the same degree of vigor as that of 2018 when annual GDP growth neared 3%. Nevertheless, there will be sufficient growth-divergence to maintain a strong U.S. dollar under favorable interest rate differentials relative to peers and safe haven bids.
- Disappointing growth, subdued inflation, and an intensification of downside risks have prompted policymakers to pivot away from a tightening bias (Chart 2) The Federal Reserve, Bank of Canada, Bank of England, and Reserve Bank of Australia are among the advanced economy central banks that have recently emphasized the need for patience in order to assess data developments. Thanks to subdued price pressures, emerging market (EM) central banks are also pivoting toward more stimulus, as evidenced by the Reserve Bank of India's unexpected rate cut in February.
- This shift towards greater patience has been a key catalyst to renewing investor risk appetite. The rebound in global equity markets has largely offset last fall's slump. However, commodity and bond markets are holding on to more skepticism, as the change in central bank tone ultimately signals greater concern (Chart 3). A realization of any of the many negative event risks dotting the landscape or further economic deterioration would reinject financial market volatility.

Chart 2: Central Bank Pivot to Patience Keeps Rates on Hold in 2019



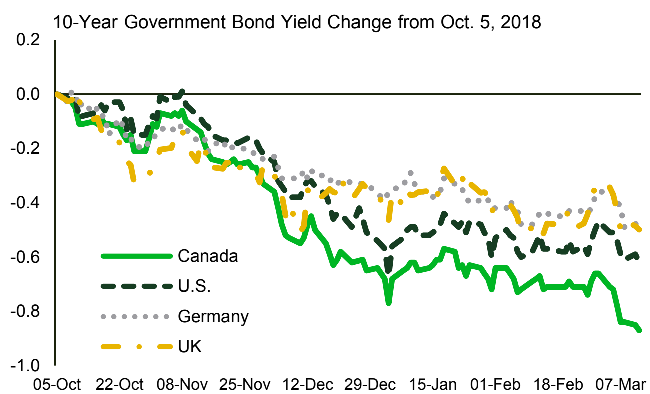
Source: National central banks. Forecast by TD Economics.

Chart 1: Global Growth Resets Back to Trend in 2019



Advanced and emerging market growth rates are stated as contributions to global growth based on International Monetary Fund (IMF) estimates of the 2017 purchasing-power-parity (PPP) valuation from the October 2018 World Economic Outlook.
Source: TD Economics. Forecasts as at March 14, 2019.

Chart 3: Global Bond Yields Head South on Low Growth and Inflation Concerns



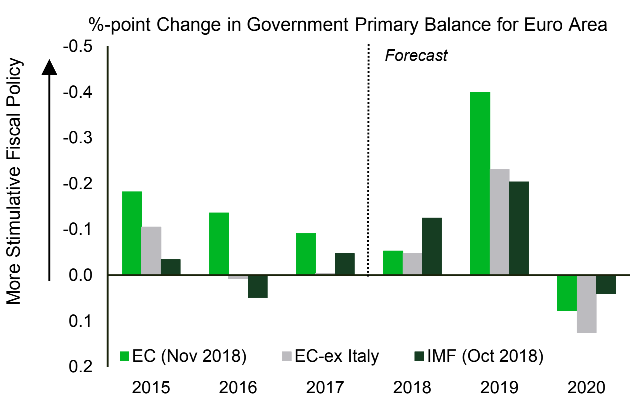
Source: National Central Banks, TD Economics. Last Obs.: March 12, 2019.

- All told, we lean towards a recovery in global economic activity later this year, as more stimulative economic policies take hold (i.e. China, India and other EMs, looser fiscal policies in Europe), one-off factors roll out of the data, and (hopefully) politically-induced economic uncertainty abates.

G7 growth falters

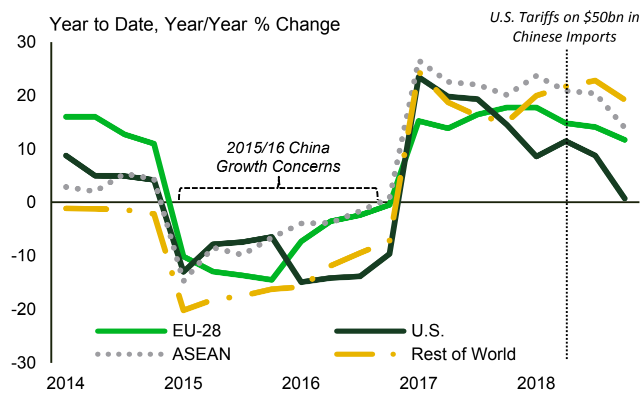
- Since November, a number of negative developments have come to the forefront on the European outlook.
  - New emissions regulations that took hold in September resulted in a more pronounced decline in industrial production and automotive sales. Although auto production and sales are starting to rebound, they have yet to recover to pre-September levels. Other peculiar factors, such as low water levels in the Rhine River and ongoing weekend protests in France, have dealt other temporary blows to both the manufacturing and service industries.
  - The unwinding of these one-off factors should alleviate, but not fully eliminate, pressure on activity. Slowing European growth raises the odds of more fiscal stimulus occurring across the continent. The fiscal impulse is already expected to prove more positive than in previous years due to tax reforms and greater spending plans (Chart 4). We foresee Euro Area growth at 1.1% for 2019, a downgrade from our previous forecast of 1.5%.
  - Prolonged Brexit-related uncertainty is not helping matters and is starting to bear more weight on UK economic activity. An expected deterioration in business investment growth is now being mirrored by softening consumer spending, despite solid employment and real wage gains. The UK economic forecast has also been downgraded to a 1.2% pace in 2019, versus a 1.6% previous forecast.

Chart 4: More Fiscal Spending Expected for the Euro Area



Note: Calculated as the change in the general government primary balance as a share of cyclically adjusted potential GDP.
Source: IMF Fiscal Monitor (Oct. 2018), European Commission (Nov 8, 2018),TD Economics.

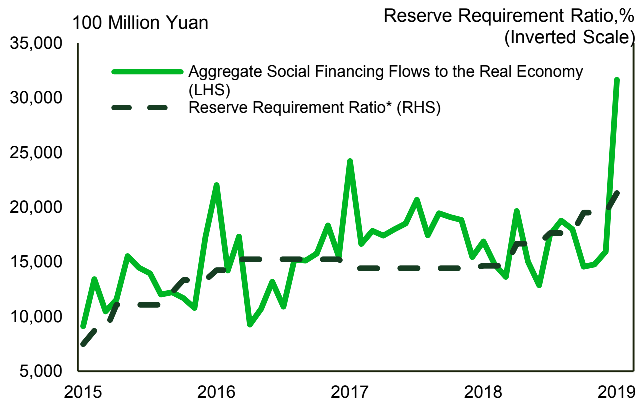
Chart 5: China Imports from U.S. Collapse



Source: China Customs/National Bureau of Statistics, TD Economics
Last Observation: 2018Q4

- Outside of Europe, softer foreign demand, particularly among East Asian trading partners, has dampened the outlook for Japanese exports and thereby intensified the downside risks. We anticipate growth to remain choppy in Japan due to spending on Olympics-related infrastructure combined with distortions created by the VAT increase scheduled this fall.
- In Canada, weaker consumer spending and a recent oil output curtailment are taking a heavy toll on the 2019 outlook. Among the G7 economies, this forecast has suffered one of the larger downward revisions, to an annual pace of 1.2% in 2019 versus 1.5% prior.
- Downgrades to the global outlook reduce the risk of higher inflationary pressures, providing sufficient cover for G7 central banks to stay on the sidelines until the data suggests otherwise. This evidence is unlikely to be of a convincing nature until at least the second half of 2019, as the influence of temporary factors and policy shocks begin to abate. In turn, we have delayed or removed any further central bank rate hikes. In particular, the Bank of Canada is unlikely to find itself in a position of needing to address high inflationary pressures due to a wider output gap. We have removed all further rate hikes from the forecast profile; a 1.75% policy rate is as good as it gets. There is slightly more scope for the Federal Reserve to nudge rates up given the greater likelihood of a return to above-trend economic growth. However, they too would only do so in the event of

Chart 6: Chinese Stimulus to Lift Economy in 19Q2



* Weighted average of large, small, and medium sized banks based on share of new loans
Source: People's Bank of China via Haver Analytics, TD Economics. Last Obs.: Feb 2019.

threatening inflationary pressures to the outlook. The ECB has signalled patience until 2020 on any rate decision, while Japanese monetary policy is expected to also remain highly stimulative through 2020.

Seeds sown for an EM rebound this spring

- There's no question of greater synchronicity in the slowdown among EM economies since November, but not all the edges continue to fray. At the very least, capital flows have stabilized on easing financial market concerns over an overly-aggressive U.S. rate hike cycle. It is important for this to hold in order to mitigate a key area of near-term financial risk.
- Countries with the greatest dependency on Chinese demand are experiencing a sharper deterioration in sentiment and economic activity. This is captured within forward-looking PMIs in EM Asia. Weaker export orders and contracting manufacturing activity reflect the crosswinds from a cyclical slowdown (after a mini-boom in 2017-early 2018), made stronger by the fallout from currency depreciation, capital outflows and elevated trade uncertainty. Europe's higher trade export-dependence with EMs relative to the U.S. and Canada leaves it more exposed to flagging growth (Chart 5).
- Investor concerns over the slowdown in Chinese economic activity have intensified due to indicators showing softening consumer spending and sentiment, alongside rising corporate defaults. However, we suspect this trend has more to do with past measures put in place by authorities to rein in credit growth than recent tariff measures (see our recent report). True to fashion, authorities have quickly responded to concerns by announcing stimulus measures, including greater lending to small and medium sized businesses, and infrastructure spending (Chart 6). This is one economy where our forecast has changed very little in the past three months. We continue to expect China to expand at a 6.2% pace this year. This is four-tenths weaker than in 2018, but consistent with the state growth target of between 6 and 6.5%.

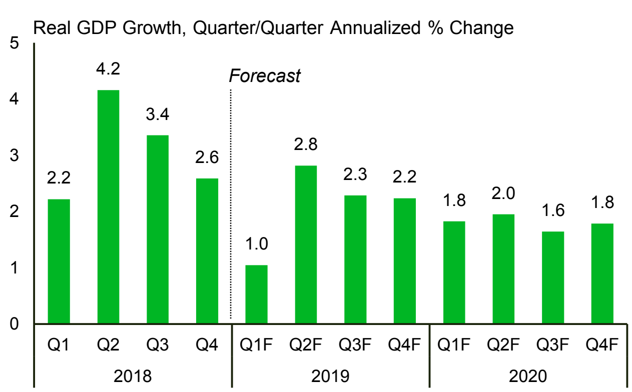
No relief in downside risks

- On December 10th 2018, we published a report called "2019: The Year Of The Deal". In it, we noted that the recent loss in global economic momentum was not extreme by historical standards, but required close monitoring due to the negative interplay between event-risk and late-business cycle dynamics. The global growth cushion is becoming thinner to absorb shocks, and the runway to resolving political risks is getting shorter. Three months since that report, little has changed on our "prominent risk-list" to the global economy.
    - Brexit: As the UK Parliament continues to debate the withdrawal agreement, uncertainty is clearly taking a toll on the economy. The March 29th deadline is fast approaching, raising the odds of either a last-minute deal, an extension, or both. Either way, the longer that the economic relationship of the UK to mainland Europe remains undefined, the greater the toll on the domestic economy, and potentially also business sentiment across Europe.
    - China-U.S. trade tensions remain unresolved, despite some positive headlines of a forthcoming deal. Financial markets need full resolution, as there have been many head-fakes in the past. In the meantime, lingering uncertainty and trade flow disruptions will persist, particularly with European and Japanese trade now in the U.S. line-of-sight, where threats of auto tariffs continue to be dangled.
- Lastly, it appears that central banks have at least sidestepped a near term threat of over-tightening within this "Great Unwind" phase of the cycle, but only time will tell if they've hit the mark. Any missteps by policymakers could result in a sudden repricing of global risk.

U.S. Outlook - Slowing, But Still Topping G7

- Economic activity decelerated in the final quarter of 2018, but held a steady footing at 2.6%. For the year as a whole, the economy expanded by 2.9%, consistent with our published forecast in December.
- For 2019, the U.S. outlook faces a number of cross-currents. A global slowdown is unfolding precisely as the domestic economy gets off to a slow start due to idiosyncratic reasons. The typical "residual seasonality" phenomenon that has historically depressed growth in the first quarter was compounded by the 35-day partial government shutdown. Tallying it up, real GDP growth is expected to hover near the 1% mark (annualized) in the first quarter. Since both of these depressing forces are temporary, activity should rebound to roughly 2.8% in the second quarter.
- Looking through the quarter-to-quarter volatility, the GDP pattern is likely to average roughly 2% over the year (Chart 7). This is consistent with our long-standing narrative that the economy will continue to face a gravitational pull towards potential growth under fading fiscal stimulus. That pull becomes more forceful in 2020, weighing real GDP towards a sub-2% print, as fiscal policy faces the reality of becoming a drag after priming the pump for two years. Ongoing fiscal injections may yet occur, but it would be hard-pressed to be of the scale and scope of past measures due to ballooning deficit and debt levels.
- In fact, the two main risks to our outlook stem from policy in Washington. The current budget deal expires at the end of September, and we assume that Congress will agree to extend spending at 2019 levels. This would avoid automatic spending cuts – sequestration – which would shave half a percentage point from our current 2020 GDP estimate.
- In a test of Congress' resolve around higher debt, they will first need to agree to raise or suspend the debt ceiling, which came into effect on March 2nd. The Treasury can fund government operations until roughly September, using accounting moves called "extraordinary measures". However, if the clock runs down, volatility would likely kick-up in financial markets.
- The other policy-induced risk to our outlook comes from the impact to business confidence from ongoing punitive tariffs and unresolved trade disputes. Although recent news headlines have been more positive on China and the U.S. reaching an agreement, the devil will be in the details. We hope an agreement occurs in short order because the toll on manufacturing sentiment domestically and globally is already evident. Should a deal roll back the tariffs that were put in place, we estimate that this, in combination with a boost to sentiment, could add about 0.1-0.2 percentage points to growth in our 2020 outlook. However, this will not mark the end of the trade journey for the Administration, whose sights are already set on Europe, where the threat of punitive auto tariffs continue to dangle. Any goodwill to market sentiment from a China-U.S. deal could be undone by a souring of the European-U.S. relationship.

Chart 7: Beyond Quarterly Volatility, Growth Moderating



Source: Bureau of Economic Analysis, TD Economics

Consumer fundamentals solid

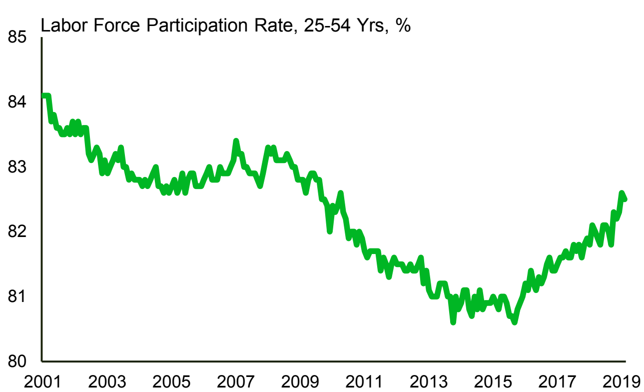
- To gauge the health of consumers, it's important to look past the volatility captured in the month-to-month data and focus on the overall trend. After an impressive 311k jobs were added in January, momentum ground to a halt in February, with only 20k net new positions. Averaging out the past three months places the job tally at a solid 186k pace. This remains slightly below, but consistent, with our December forecast. Softening momentum is in complete alignment with slower economic growth. By no means does it suggest a collapse in the job market is in the offing. The jobless rate has been fairly steady, as new positions are being filled by rising labor force participation.

- The healthy labor market is healing the scars caused by the recession. Labor force participation among core-aged workers (Chart 8) deteriorated in the wake of the financial crisis and struggled to improve until after 2015. We expect this metric to make further headway over the year, supporting income and consumer spending.
- Wage growth has also accelerated. Average hourly earnings have risen by more than 3% (year-on-year) since August. In other words, it is outstripping inflation by a healthy margin, boosting the real spending power of households.
- Despite these strong fundamentals, consumer purchases weakened sharply at the end of 2018, as confidence took a hit from the government shutdown and stock market rout. A rebound in January retail sales proved that consumers had not left the building, but the first quarter will still be weighed down by a weak hand-off. Overall spending for the quarter is expected to be around 1% annualized. A rebound in Q2 is already in the making, and healthy labor markets suggests a slightly above-trend pace of 2% thereafter.

Business investment a downside risk

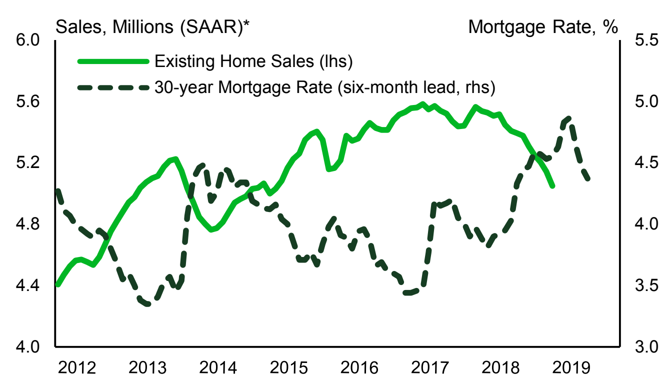
- Business investment ended the year on a surprisingly solid note, rising 6.2% annualized. This occurred in the face of continued weakness in nonresidential structures, which declined 4.2%. Overall investment spending has two areas to thank for its strength in the quarter. Outlays for intellectual property jumped up 13%, while equipment outlays also chalked up a healthy and accelerating pace of 6.7%.
- Overall we expect business investment to moderate in 2019 and 2020, in line with slower growth in the economy, both domestically and abroad. However, it's important to bear in mind that spending should be cooling from what proved to be a high watermark.
- Uncertainty about the trade environment has weighed on business confidence and presents both upside and downside risk to our investment forecast. Much will depend on how the trade negotiations go with China, and whether some of the pressures alleviate on global growth prospects.
- Residential investment has long been the sore spot in the economy's balance sheet. This category fell 3.5% at the end of 2018, marking the fourth consecutive quarter of contraction. Housing starts rebounded in January from a large drop in December, but the weak hand off combined with muted activity in the resale market still points to another contraction in residential investment in the first quarter. It is only thereafter that we embed a modest pick-up. Fortunately, the recent move lower in mortgage rates and healthy consumer backdrop should help the recovery along.
- Of all the areas in our forecast, the housing sector probably has the greatest potential to surprise on the upside. Housing affordability has improved recently due to the combination of a 60 basis point drop in mortgage rates and softer home price growth rela-

Chart 8: Strong Labor Market Healing the Scars of the Great Recession



Source: Bureau of Labor Statistics, TD Economics

Chart 9: Mortgage Rates Have Come Down Since October 2018

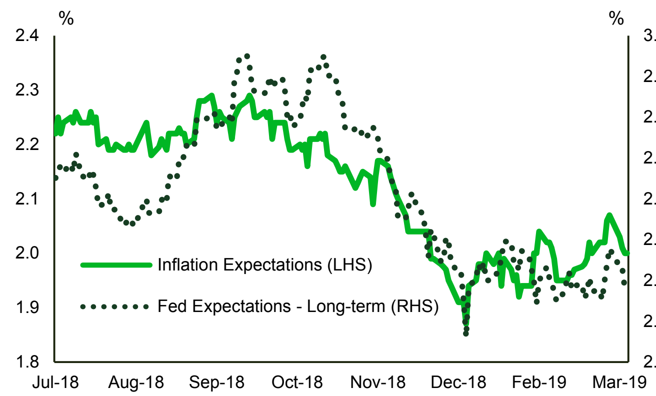


*Three month moving average. Source: FHLMC, NAR, TD Economics tive to incomes (Chart 9). This could unleash demand from the coming wave of millennial households (see our report Room to Grow: U.S. Housing Demand to Rebound from 2018 Setback). Despite recent weakness in housing indicators, both rental and owner housing vacancy units remain low. The low vacancy rate combined with a pickup in housing demand implies that if and when supply constraints diminish, housing construction could move higher than our current assumption. If housing proves stronger than our current modest expectation, than it means that we may also prove too modest on our consumer spending profile due to the tight correlations between the two markets on items like furniture, appliances, renovation activity and so forth.

Benign inflation gives Fed room to be patient

- Amidst it all, the Federal Reserve can afford patience. Their preferred measure of inflation, core PCE price index (excludes food and energy), has only recently edged slightly above a 2% annualized pace in both November and December. Previous soft readings left the year-on-year pace at 1.9%. Given that the central bank sees the target as "symmetrical" around 2%, we suspect that it would take a much larger breach above that mark to fuel concerns of falling behind the inflation curve.
- Even with this in mind, financial markets may have swung too far into dovish territory by driving 10-Year Treasury yields down 68 basis points over seven weeks. This is because recent inflation data suggest only a modest softening in inflation pressures. Core CPI inflation, which is two months ahead of PCE data, has decelerated to 2.1% on a three-month annualized basis as of February, but the move does not appear overly concerning. On net, inflation is playing out in line with our December forecast, and we expect it to remain in the Fed's comfort zone over the year. This supports a longer term yield closer to 2.80% by year-end.
- Global concerns have caused market participants to ratchet down expectations for Fed rate hikes and tempered inflation expectations (Chart 10). More recently, the Federal Reserve capitulated to this view in its decision to shift to a wait-and-see monetary stance at its January meeting. However, wait-and-see doesn't mean absolutely no more hikes.

Chart 10: Expectations for the Fed Declining with Inflation Expectations



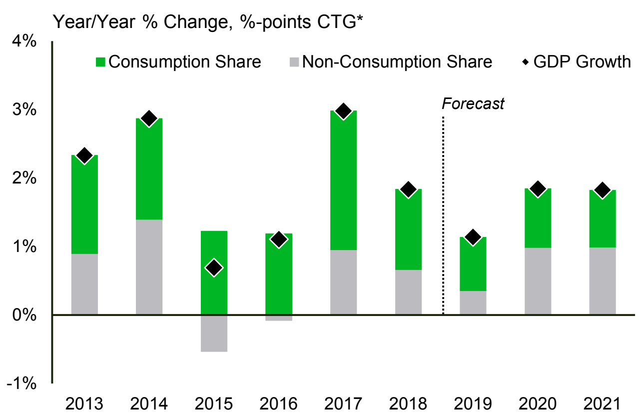
Source: Bloomberg LP, Federal Reserve Board, TD Economics. Last data point: Mar. 8, 2019.

- Now that the fed funds rate is at the lower end of the estimated neutral range (2.50% to 3.50%), the data must make a compelling case for further rate hikes. The timing for a possible rate hike is highly dependent on a number of preconditions we laid out in Market Insight.
- The greenback has remained quite stable over the last few months. While many major economies have hit a major growth slump, the U.S. economy is still chugging along. We would normally think this economic outperformance would cause capital flight into U.S. dollar assets and an appreciation of the greenback. However, against advanced economies, the greenback is effectively unchanged since the start of the year. Relative to emerging market currencies, it is down just over 1%.
- Going forward, we expect other major currencies to gain some ground against the U.S. dollar, as the pessimism currently priced into many of those currencies does not come to pass. These forces are forecast to lead to a modest depreciation in the trade-weighted U.S. dollar over the next two years, but the road may be choppy along the way.

Canadian Outlook- Now Is The Winter Of Our Discontent

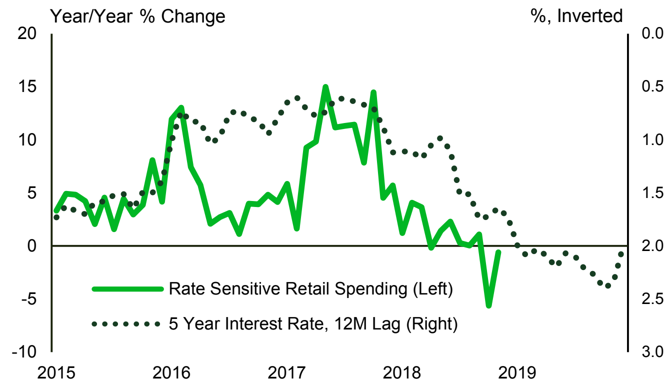
- Canada has faced a 'perfect storm' of events in recent months that has ground economic activity to a halt in Q4 2018 and Q1 2019. Production curtailments in Alberta's energy sector unfolded in tandem with soft housing markets and consumer spending in the rest of the country. The former occurred to shore up oil prices due to a supply glut, and the latter reflected the sting of more stringent mortgage qualification rules and higher interest rates (Chart 11).
- As 2019 progresses, a relief valve should get turned on as the combination of these downward influences lift. Material to this view is an easing in Alberta's mandated oil output curtailment plan amid the recent rebound in heavy oil prices and supply draw down.
- Although the upside to domestic household spending and housing markets will remain more limited due to debt pressures, there are nascent signs of stabilization occurring on both fronts. Outright capitulation of households contradicts the dynamics coming from ongoing strength in job markets, continued population growth, and a relatively stable interest rate environment this year.
- However, in terms of the balance of risks, our greatest near-term concern resides with the resiliency of Canadian household spending. Recent months have produced larger than expected disappointments, particularly with purchases that tend to be more hitched to interest rates. We had always built a soft deleveraging cycle into the forecast, and we are looking for reassurance the solid job market and more benign path for interest rates will remain supportive factors.

Chart 11: Time for Consumers to Pay the Piper



* CTG: Contribution To Growth. Source: Statistics Canada, TD Economics

Chart 12: Elevated Borrowing Costs Suggest Little Upside to Consumer Spending



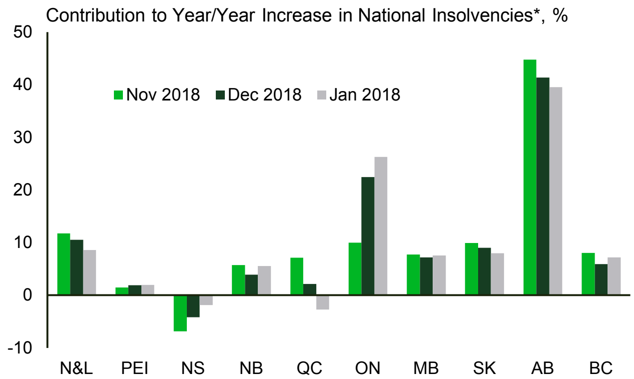
Rate sensitive sectors: autos, furniture, furnishings, electronics/appliances.
Source: Statistics Canada, TD Economics

- Putting the pieces together amidst a choppy quarterly pattern, we have downgraded our 2019 GDP outlook to 1.2% (from 1.8% in December). Slightly better growth prospects should be on deck for 2020 in the absence of those one-off economic hits.
- In light of the downgrade, there is little reason for the Bank of Canada to pursue additional rate hikes until the economy demonstrates a return to an above-potential pace. In other words, we have removed any prospect of rate hikes from the forecast. The burden of proof will rest squarely on the data.
- With the economy maintaining a thin margin for error, discussions of recession risks have been reignited. Our analysis suggests that the risk is one of a 'technical' nature at most, with the external conditions not supporting a true, broad-based recessionary downturn.

Consumers take a knee

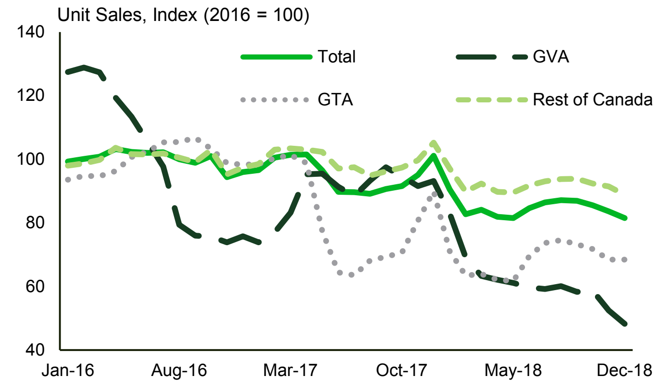
- Consumers are in the driver's seat when it comes to the underlying health of the economy. Comprising just shy of 60% of GDP, the speed of Canada's growth will ultimately be decided by household spending decisions.
- All signs point to a more cautious consumer relative to the heady pace in 2017 and early 2018. It's been a long time coming, but high debt levels, higher borrowing costs and tighter mortgage qualification rules have finally conspired to constrain consumer spending and

Chart 13: Insolvencies Uptick Spreading to Ontario



* Calculated using 12-month moving average.
Source: Office of the Superintendent of Bankruptcy Canada, TD Economics

Chart 14: Resale Weakness Largely Concentrated In Overvalued Markets



Source: CREA, TD Economics

housing markets. This is particularly noticeable within the spending components that have a strong correlation to home sales (i.e. building supplies, furniture, appliances) or are interest-rate sensitive (such as cars, big-ticket purchases in general).

- The historical relationships suggest limited scope for any data upside surprises from these segments of the economy. The more probable path will be steady-as-you go in behavioral patterns (Chart 12).
- Digging into the details, there has been a rise in consumer proposals (insolvencies) on the back of higher borrowing costs, but context is important. A disproportionate share of the rise is chalked up to Alberta's tough economic climate (Chart 13). Higher proposal activity within other provinces is occurring at a more even keel, and although the recent increase in Ontario is concerning, the overall level remains historically consistent with the reality of higher borrowing costs.
- Labour market developments will be key in dictating the path for consumer spending and insolvencies. On this front, the data are still holding firm. Both job and wage growth accelerated at the start of the year, and the unemployment rate remains close to a 40-year low. We forecast a more modest pace of employment gains going forward, reflecting tighter labour markets and an aging population. However, it should be sufficient to hold the unemployment rate at around the 5.9% mark, while generating some modest upward wage pressure.
- In light of softening consumer spending, there is greater focus now on wage growth as a key fundamental. It has been fairly constrained relative to the low unemployment rate and reports of increased scarcity of labour. However, Bank of Canada research indicates that, here too, Alberta has been a catalyst, while the rest of the country maintains stronger trends.
- Overall, the pace of real consumer spending will remain contained at about 1.5% this year and next. With a slim cushion on the downside, this may cause some hand-wringing, marking the slowest pace since 2009 and a large step-down relative to the past decade.
- However, after nearly a decade long credit-binge, this is a necessary step to stabilize consumer credit growth at around 2.0% to 2.5% in nominal terms. A credit path below aggregate income gains is the mechanism that allows for a 'soft deleveraging'.
- To be sure, threading the needle will not be easy – a downside surprise on income or a (less probable) upside surprise in interest rates could spark an outright deleveraging cycle, sapping consumer confidence.

Housing caught in the middle

- The adjustment on the consumer side is closely integrated with trends in the housing market. Macroprudential measures have impacted major markets and continue to reverberate. The narrative of 'three markets' continues to hold (Chart 14).
- The first of these markets is the Greater Toronto Area. After declining steadily since September, activity appears to be stabilizing. Resale activity ticked up in both December and January, alongside increased

Chart 15: Conditions in Western Markets Point to Downside for Prices

Note: Range of 40 to 60 generally considered a balanced market. Data to Q4 2018.
Source: CREA, TD Economics

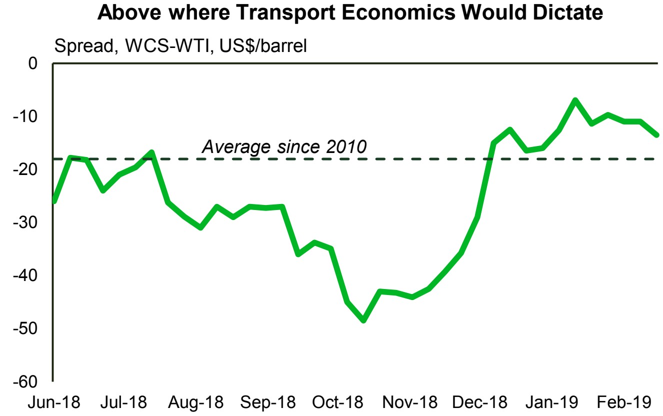
listings. Homebuilding activity also remains solid, as evidenced by starts and permits data. This is a relief in many respects because it is reinforcing the push and pull factors on the market that should lead to healthier, more stable dynamics, but not necessarily an outright resurgence or collapse. On the 'pull-up' factors there is strong population growth, rising employment and solid income. On the 'push-down' factors there is higher borrowing costs and stretched affordability.

- Dynamics in the Greater Vancouver Area (GVA) are quite different. Supply has climbed sharply and the pipeline suggest more is on the way. Meanwhile resale activity remains depressed, still trending at its lowest level since the 2008 recession. Affordability has always been stretched in this market, made worse by more heavy-handed macroprudential provincial policy. Added to this recipe is weakened confidence and slower global growth, which is particularly meaningful for this West-coast market that displays more sensitivity to these forces. We expect price growth to remain negative as a result in 2019 at roughly -4.5%.
- Elsewhere in Canada, it is a mixed bag on supply and demand dynamics. Alberta's key markets are in buyer's territory, reflecting idiosyncratic features hitting its economy. By contrast, housing markets in Quebec remain solid, buoyed by relatively favourable affordability and a solid job market (Chart 15).
- Largely reflecting a downgrade to Vancouver's market, we envision a modest downward revision to 2019 national sales and price forecast, to approximately 0.6% and -1.2%, respectively. The broader story of overall market stabilization at a lower, more sustainable level still holds.

Energy sector improving, investment steady

- Alberta is suffering through some near-term pain, but the oil curtailment plan imposed by the province is having the desired benefit of higher prices. Indeed, since the plan was implemented in January, the discounting of heavy oil prices has overshot expectations. It has narrowed to an unsustainably thin margin relative to WTI, which has created its own challenges (Chart 16). This makes crude-by-rail shipments uneconomical for some firms (costs to ship by rail tend to be in the $15/bbl to $20/bbl range), generating new issues around margins. We anticipate WCS prices will settle to around $42/bbl later this year, about $20 below our $62/bbl call for WTI.
- The higher prices have already prompted the Alberta government to start easing its curtailment plan, which is good news. Still, investment and growth expectations in both, Alberta and Saskatchewan, will remain challenged, in part due to ongoing pipeline bottlenecks.
- Outside of the oil patch, Canadian business spending prospects are more positive. Indicators of business sentiment remain well-grounded, while some support will also flow through from the full expensing of many forms of investment introduced in the Federal Fall Economic Statement. However, we are not expecting an outsized lift from this influence. The economic literature, our analysis, and past experience all suggest

Chart 16: Western Canada Select Oil Trading Above where Transport Economics Would Dictate



Source: Bloomberg, TD Economics

the impact from the tax changes will be modest, adding roughly 20 basis points to our investment growth profile over the coming year, relative to our September expectations.

- More important to the forecast for spending is the dearth of investment post-2015. Canadian firms are currently underinvested, relative to employment levels and long-run trends. This effect will play off against a softer domestic backdrop. The net result is a modest acceleration of the pace of investment in 2019 and, in particular 2020, with the latter year helped by anticipated work on the LNG project in Kitimat. However, we do not expect outsized 'catch-up'- style growth given the domestic challenges: investment growth in 2019 and 2020 is forecast to trend below historic norms.

Bank of Canada back to 'wait and see'

- The Canadian yield curve has shifted dramatically lower over the last few months. After the Canada 10-year government bond yield hit a near-four year peak of 2.60% in early October 2018, it has now dropped roughly 85 bps to 1.76%. This swift move came as a result of deteriorating global growth and a downgrade to the consensus view of the Canadian economy. With Canada's economic pace skimming 1% in 2019, the output gap is larger than previously expected and this sets a high hurdle for another rate hike by the Bank of Canada. We anticipate no further rate hikes by the central bank, meaning the current policy rate of 1.75% is as good as it gets.
- Even with the eventual confirmation of a GDP growth-rebound in the second quarter (as we expect), there is little in the way of new growth-impulses to prompt a sustained period at an above-trend pace that would materially press on the inflation drivers.
- It's possible that a global-growth impulse could come from a lifting of geopolitical risks as the year goes on (i.e. Brexit and U.S.-China-EU trade tensions), but given the uncertainty on that front, we are in the 'I'll believe it when I see it' camp. In turn, this should keep the Canadian dollar range bound at between 74-76 US cents in 2019.

Interest Rate Outlook												
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1*	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Canada												
Overnight Target Rate	1.25	1.25	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
3-mth T-Bill Rate	1.10	1.26	1.59	1.64	1.65	1.65	1.65	1.70	1.75	1.75	1.75	1.75
2-yr Govt. Bond Yield	1.77	1.91	2.21	1.86	1.67	1.75	1.80	1.85	1.85	1.85	1.85	1.85
5-yr Govt. Bond Yield	1.96	2.06	2.33	1.88	1.66	1.80	1.90	1.95	1.95	1.95	1.95	1.95
10-yr Govt. Bond Yield	2.09	2.17	2.42	1.96	1.76	1.90	2.00	2.10	2.10	2.10	2.10	2.10
30-yr Govt. Bond Yield	2.23	2.20	2.42	2.18	2.04	2.15	2.25	2.35	2.35	2.35	2.35	2.35
10-yr-2-yr Govt Spread	0.32	0.26	0.21	0.10	0.09	0.15	0.20	0.25	0.25	0.25	0.25	0.25
U.S.												
Fed Funds Target Rate	1.75	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
3-mth T-Bill Rate	1.70	1.89	2.15	2.40	2.39	2.40	2.40	2.40	2.40	2.40	2.40	2.40
2-yr Govt. Bond Yield	2.27	2.52	2.81	2.48	2.45	2.50	2.50	2.50	2.50	2.50	2.50	2.50
5-yr Govt. Bond Yield	2.56	2.73	2.94	2.51	2.42	2.55	2.60	2.60	2.60	2.60	2.60	2.60
10-yr Govt. Bond Yield	2.74	2.85	3.05	2.69	2.61	2.70	2.75	2.85	2.85	2.85	2.85	2.85
30-yr Govt. Bond Yield	2.97	2.98	3.19	3.02	3.01	2.95	3.00	3.10	3.10	3.10	3.10	3.10
10-yr-2-yr Govt Spread	0.47	0.33	0.24	0.21	0.16	0.20	0.25	0.35	0.35	0.35	0.35	0.35
Canada-U.S. Spreads												
Can - U.S. T-Bill Spread	-0.60	-0.63	-0.56	-0.76	-0.74	-0.75	-0.75	-0.70	-0.65	-0.65	-0.65	-0.65
Can - U.S. 10-Year Bond Spread	-0.65	-0.68	-0.63	-0.73	-0.85	-0.80	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75

F: Forecast by TD Bank Group as at March 2019. All forecasts are end-of-period.
Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics. * Spot rate as at March 13, 2019 with the exception of policy rates.

Foreign Exchange Outlook													
Currency	Exchange rate	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1*	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Exchange rate to U.S. dollar													
Japanese yen	JPY per USD	106	111	113	110	111	109	108	107	106	105	105	104
Euro	USD per EUR	1.23	1.17	1.16	1.15	1.13	1.14	1.14	1.15	1.16	1.17	1.18	1.19
U.K. pound	USD per GBP	1.40	1.32	1.31	1.28	1.33	1.31	1.32	1.33	1.34	1.35	1.36	1.37
Exchange rate to Canadian dollar													
U.S. dollar	USD per CAD	0.78	0.76	0.77	0.73	0.75	0.75	0.75	0.75	0.76	0.76	0.76	0.76
Japanese yen	JPY per CAD	82.4	84.3	87.8	80.4	83.6	82.0	81.2	80.5	80.0	79.5	79.5	79.4
Euro	CAD per EUR	1.59	1.53	1.50	1.56	1.51	1.52	1.52	1.53	1.54	1.54	1.55	1.56
U.K. pound	CAD per GBP	1.81	1.73	1.69	1.74	1.77	1.74	1.76	1.77	1.78	1.78	1.79	1.80

F: Forecast by TD Bank Group as at March 2019. All forecasts are end-of-period.
Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics. * Spot rate as at March 13, 2019.

Commodity Price Outlook												
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, $US/bbl)	63	68	70	59	54	58	60	62	64	65	65	66
Natural Gas ($US/MMBtu)	3.08	2.86	2.93	3.80	2.90	2.80	2.70	2.60	2.50	2.51	2.53	2.54
Gold ($US/troy oz.)	1329	1306	1213	1229	1305	1325	1350	1375	1375	1375	1425	1425
Silver (US$/troy oz.)	16.74	16.56	15.02	14.58	16.00	17.00	17.25	17.50	18.00	18.00	18.75	18.75
Copper (cents/lb)	316	312	277	280	280	284	293	293	302	302	311	311
Nickel (US$/lb)	6.01	6.56	6.02	5.21	5.96	6.01	6.06	6.10	6.12	6.35	6.58	6.58
Aluminum (cents/lb)	98	102	93	89	86	90	93	93	95	100	99	99
Wheat ($US/bu)	7.42	7.46	6.70	6.85	7.00	7.05	7.10	7.10	7.14	7.17	7.21	7.24

F: Forecast by TD Bank Group as at March 2019. All forecasts are period averages.
Source: Bloomberg, TD Economics, USDA (Haver).

Canadian Economic Outlook

Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated

	2018				2019				2020				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	18F	19F	20F	18F	19F	20F
Real GDP	1.3	2.6	2.0	0.4	-0.4	2.1	1.9	1.8	1.9	1.8	1.8	1.7	1.8	1.2	1.8	1.6	1.4	1.8
Consumer Expenditure	1.5	1.7	1.3	0.7	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.5	2.1	1.4	1.5	1.3	1.6	1.5
Durable Goods	0.7	-1.4	-1.8	-2.0	2.1	0.9	1.1	1.4	1.4	1.4	1.4	1.5	1.1	0.2	1.3	-1.2	1.4	1.4
Business Investment	8.3	-1.2	-10.3	-6.0	2.2	3.8	3.6	3.7	4.2	4.2	4.3	4.3	2.1	-0.7	4.0	-2.5	3.3	4.3
Non-Res. Structures	-2.2	-3.2	-8.0	-15.0	2.2	2.9	2.8	2.6	3.2	3.0	3.4	3.8	-0.9	-2.7	3.0	-7.2	2.6	3.4
Equipment & IPP*	20.7	1.0	-12.4	4.1	2.3	4.7	4.5	4.9	5.2	5.5	5.2	4.8	5.3	1.5	5.1	2.7	4.1	5.2
Residential Investment	-9.7	0.6	-5.5	-14.7	-2.3	1.8	2.2	2.0	2.3	2.6	2.9	2.7	-2.3	-3.5	2.4	-7.5	0.9	2.6
Govt. Expenditure	1.9	0.9	1.6	-0.6	1.9	1.9	1.7	1.6	1.7	1.7	1.7	1.8	2.7	1.3	1.7	0.9	1.8	1.7
Final Domestic Demand	1.5	1.2	-0.5	-1.5	1.4	1.8	1.8	1.8	1.9	1.9	1.9	2.0	1.9	0.8	1.9	0.2	1.7	1.9
Exports	1.0	14.6	3.3	-0.2	1.9	2.5	2.4	2.2	2.3	2.4	2.5	2.9	3.3	2.6	2.4	4.5	2.2	2.5
Imports	4.7	5.2	-8.6	-1.1	2.1	2.0	2.1	2.1	2.3	2.6	2.6	2.8	2.9	0.3	2.4	-0.1	2.1	2.6
Change in Non-farm Inventories (2007 $Bn)	22.4	16.9	3.5	12.5	5.2	6.2	6.2	5.5	5.7	5.7	5.2	3.9	13.8	5.8	5.1	--	--	--
Final Sales	0.3	2.5	1.4	-3.0	3.2	1.6	1.8	1.8	1.8	1.9	2.0	2.2	2.1	1.2	1.9	0.3	2.1	2.0
International Current Account Balance ($Bn)	-69.0	-63.4	-40.4	-61.9	-45.9	-41.3	-40.7	-41.6	-42.1	-43.1	-43.8	-44.2	-58.7	-42.4	-43.3	--	--	--
% of GDP	-3.1	-2.9	-1.8	-2.8	-2.0	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-2.6	-1.9	-1.8	--	--	--
Pre-tax Corp. Profits	1.9	9.4	14.2	-38.1	17.5	5.2	5.6	4.2	5.3	5.4	5.5	5.6	0.5	-0.9	5.2	-5.8	8.0	5.4
% of GDP	12.8	13.0	13.3	11.8	12.2	12.2	12.2	12.2	12.3	12.3	12.4	12.4	12.7	12.2	12.3	--	--	--
GDP Deflator (y/y)	1.8	2.1	2.5	0.5	1.3	1.7	1.8	3.2	2.4	2.1	2.0	2.0	1.7	2.0	2.1	0.5	3.2	2.0
Nominal GDP	3.0	3.7	4.4	-2.7	4.7	5.1	4.3	4.1	3.9	3.8	3.8	3.8	3.6	3.2	4.0	2.1	4.6	3.8
Labour Force	-0.3	1.3	1.2	1.2	3.3	0.6	0.9	0.7	0.7	0.6	0.6	0.6	0.8	1.6	0.7	0.9	1.4	0.6
Employment	0.3	1.0	1.3	2.2	2.9	0.3	0.6	0.7	0.7	0.7	0.7	0.7	1.3	1.5	0.6	1.2	1.1	0.7
Change in Empl. ('000s)	13	47	62	100	135	12	29	32	32	32	33	32	238	284	122	222	207	130
Unemployment Rate (%)	5.8	5.9	5.9	5.7	5.8	5.8	5.9	5.9	5.9	5.9	5.9	5.9	5.8	5.9	5.9	--	--	--
Personal Disp. Income	0.5	3.8	1.2	3.3	4.6	3.3	3.3	3.5	3.5	3.4	3.4	3.4	3.5	3.4	3.4	2.2	3.7	3.4
Pers. Savings Rate (%)	1.5	1.2	0.7	1.1	1.4	1.3	1.2	1.1	1.1	1.0	1.0	0.9	1.1	1.2	1.0	--	--	--
Cons. Price Index (y/y)	2.0	2.3	2.6	2.1	1.6	1.8	1.6	1.8	1.9	1.9	2.0	2.0	2.2	1.7	1.9	2.1	1.8	2.0
CPIX (y/y)**	1.3	1.4	1.6	1.6	1.5	1.8	1.8	1.8	1.8	1.9	2.0	2.0	1.5	1.7	1.9	1.6	1.8	2.0
BoC Inflation (y/y)**	1.9	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0	1.9	2.0	1.9	1.9	2.0
Housing Starts ('000s)	224	218	197	217	190	201	200	196	195	195	195	195	214	197	195	--	--	--
Home Prices (y/y)	-4.6	-6.8	0.5	-3.4	-1.0	0.0	-2.8	-0.9	1.8	2.7	3.4	3.4	-3.6	-1.2	2.8	-3.4	-0.9	3.4
Real GDP / worker (y/y)	0.6	0.4	0.7	0.4	-0.7	-0.6	-0.5	0.3	1.4	1.2	1.1	1.1	0.5	-0.4	1.2	0.4	0.3	1.1

F: Forecast by TD Economics as at March 2019.

Home price measure shown is the CREA Composite Sale Price.

*Intellectual Property Products. ** CPIX: CPI excluding the 8 most volatile components. BoC Inflation: simple average of CPI-trim, CPI-median, and CPI-common

Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics, TD Economics.

U.S. Economic Outlook

Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated

	2018				2019				2020				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	18F	19F	20F	18F	19F	20F
Real GDP	2.2	4.2	3.4	2.6	1.0	2.8	2.3	2.2	1.8	1.9	1.6	1.8	2.9	2.4	2.0	3.1	2.1	1.8
Consumer Expenditure	0.5	3.8	3.5	2.8	0.9	2.6	2.4	2.3	2.0	2.1	2.2	2.1	2.6	2.4	2.2	2.7	2.1	2.1
Durable Goods	-2.0	8.6	3.7	5.9	-0.8	5.0	4.7	4.3	3.8	3.9	3.7	3.6	5.7	3.6	4.1	4.0	3.3	3.7
Business Investment	11.5	8.7	2.5	6.2	3.4	3.8	3.7	3.4	3.3	3.1	3.4	3.4	7.0	4.2	3.4	7.2	3.6	3.3
Non-Res. Structures	13.9	14.5	-3.4	-4.2	-0.4	1.3	2.4	2.6	3.0	2.8	2.8	2.9	5.0	0.2	2.7	4.8	1.5	2.9
Equipment & IPP*	10.8	7.1	4.3	9.4	4.5	4.6	4.1	3.6	3.4	3.2	3.5	3.5	7.5	5.4	3.6	7.9	4.2	3.4
Residential Investment	-3.4	-1.4	-3.5	-3.5	-3.0	4.3	1.5	3.3	1.1	0.0	-0.4	1.4	-0.2	-0.8	1.4	-3.0	1.5	0.6
Govt. Expenditure	1.5	2.5	2.6	0.4	2.5	3.5	1.1	1.0	0.6	1.6	0.1	0.0	1.5	2.0	1.0	1.8	2.0	0.6
Final Domestic Demand	1.9	4.0	2.9	2.6	1.3	3.0	2.3	2.3	1.9	2.1	1.9	1.9	2.9	2.4	2.1	2.9	2.2	2.0
Exports	3.6	9.3	-4.9	1.6	3.2	5.1	5.7	5.3	5.3	5.1	4.8	4.6	3.9	3.0	5.2	2.2	4.8	4.9
Imports	3.0	-0.6	9.3	2.7	2.4	4.0	5.3	5.4	5.3	5.0	5.1	4.7	4.6	4.0	5.1	3.5	4.3	5.0
Change in Private Inventories	30.3	-36.8	89.8	97.1	81.0	69.4	72.1	75.6	76.7	73.5	69.3	67.5	45.1	74.5	71.7	--	--	--
Final Sales	1.9	5.4	1.0	2.5	1.4	3.1	2.2	2.2	1.8	2.0	1.7	1.8	2.8	2.3	2.0	2.7	2.2	1.9
International Current Account Balance ($Bn)	-487	-405	-499	-539	-547	-559	-580	-604	-626	-647	-668	-690	-483	-573	-658	--	--	--
% of GDP	-2.4	-2.0	-2.4	-2.6	-2.6	-2.6	-2.7	-2.8	-2.9	-2.9	-3.0	-3.0	-2.4	-2.7	-2.9	--	--	--
Pre-tax Corporate Profits including IVA&CCA	5.0	12.5	14.7	-6.8	-0.1	7.6	1.3	1.5	0.6	0.9	1.4	2.1	7.4	2.7	1.5	6.0	2.5	1.2
% of GDP	10.9	11.0	11.2	10.9	10.8	10.9	10.8	10.7	10.7	10.6	10.5	10.4	11.0	10.8	10.5	--	--	--
GDP Deflator (y/y)	2.0	2.4	2.3	2.2	2.3	2.0	2.0	2.0	1.9	2.1	2.2	2.3	2.2	2.1	2.1	2.2	2.0	2.3
Nominal GDP	4.3	7.6	4.9	4.6	3.5	4.5	4.1	4.3	4.1	4.3	4.0	4.2	5.2	4.5	4.2	5.3	4.1	4.1
Labor Force	2.5	0.6	0.6	2.2	0.7	0.9	1.0	1.0	1.0	1.5	0.2	0.6	1.1	1.1	1.0	1.5	0.9	0.8
Employment	1.8	1.9	1.8	1.7	1.4	1.2	1.0	1.1	0.9	1.4	0.1	0.5	1.7	1.4	0.9	1.8	1.2	0.7
Change in Empl. ('000s)	641	694	667	648	516	464	376	415	341	529	38	191	2,453	2,149	1,420	2,650	1,771	1,099
Unemployment Rate (%)	4.1	3.9	3.8	3.8	3.8	3.7	3.6	3.7	3.7	3.7	3.7	3.8	3.9	3.7	3.7	--	--	--
Personal Disp. Income	7.0	3.8	4.2	5.7	3.9	4.0	4.3	4.3	4.4	4.3	4.1	4.0	5.0	4.4	4.3	5.2	4.1	4.2
Pers. Savings Rate (%)	7.2	6.7	6.4	6.7	6.8	6.6	6.6	6.6	6.7	6.6	6.5	6.5	6.8	6.7	6.6	--	--	--
Cons. Price Index (y/y)	2.2	2.7	2.6	2.2	2.1	1.9	1.9	2.0	1.9	2.1	2.2	2.2	2.4	2.0	2.1	2.2	2.0	2.2
Core CPI (y/y)	1.9	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2	2.3	2.4	2.5	2.1	2.2	2.3	2.2	2.2	2.5
Core PCE Price Index (y/y)	1.7	1.9	2.0	1.9	1.9	1.8	1.9	2.0	2.0	2.1	2.2	2.2	1.9	1.9	2.1	1.9	2.0	2.2
Housing Starts (mns)	1.32	1.26	1.23	1.17	1.22	1.23	1.24	1.25	1.26	1.27	1.27	1.28	1.24	1.24	1.27	--	--	--
Real Output per hour** (y/y)	1.0	1.3	1.3	1.7	1.5	1.1	0.9	0.9	1.4	1.3	1.4	1.4	1.3	1.1	1.4	1.7	0.9	1.4

F: Forecast by TD Economics as at March 2019.

*Intellectual Property Products. **Non-farm business sector.

Note: 2018Q4 Current Account and Corporate Profits are forecasts, not actual data as in the rest of the table. This data has been delayed due to the government shutdown.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Census Bureau, TD Economics.

Global Economic Outlook					
Annual Per Cent Change Unless Otherwise Indicated					
	2017 Share*		Forecast		
Real GDP	(%)	2017	2018	2019	2020
World	100.0	3.8	3.7	3.2	3.5
North America	18.6	2.3	2.7	2.2	2.0
United States	15.3	2.2	2.9	2.4	2.0
Canada	1.4	3.0	1.8	1.2	1.8
Mexico	1.9	2.3	2.0	1.6	2.2
European Union (EU-28)	16.5	2.5	2.0	1.3	1.6
Euro Area (EU-19)	11.6	2.5	1.8	1.1	1.4
Germany	3.3	2.5	1.5	0.9	1.4
France	2.2	2.3	1.5	1.0	1.3
Italy	1.8	1.7	0.8	0.1	1.0
United Kingdom	2.3	1.8	1.4	1.2	1.3
EU accession members	2.6	3.7	3.8	2.7	2.6
Asia	44.3	5.4	5.2	4.9	5.0
Japan	4.3	1.9	0.8	0.6	0.3
Asian NIC's	3.4	3.2	2.7	2.1	2.9
Hong Kong	0.4	3.8	3.0	0.8	2.8
Korea	1.6	3.1	2.7	2.8	3.0
Singapore	0.4	3.9	3.3	1.6	2.8
Taiwan	0.9	3.1	2.6	1.9	2.9
Russia	3.2	1.5	1.7	2.1	1.9
Australia & New Zealand	1.1	2.4	2.8	1.7	2.5
Developing Asia	32.4	6.6	6.4	6.1	6.2
ASEAN-5	5.4	5.4	5.2	4.7	5.0
China	18.2	6.8	6.6	6.2	6.0
India**	7.4	7.1	6.9	7.0	7.5
Central/South America	5.8	0.6	0.8	1.3	2.7
Brazil	2.5	1.1	1.1	1.9	2.7
Other Developing	13.7	3.5	3.1	2.6	3.4
Other Advanced	1.1	2.4	2.5	1.8	2.1

*Share of world GDP on a purchasing-power-parity (PPP) basis.
Forecast as at March 2019. **Forecast for India refers to fiscal year.
Source: IMF, TD Economics.

Economic Indicators: G7 & Europe				
		Forecast		
	2017	2018	2019	2020
Real GDP (annual per cent change)				
G7 (30.6%)*	2.2	2.1	1.6	1.5
U.S.	2.2	2.9	2.4	2.0
Japan	1.9	0.8	0.6	0.3
Euro Area	2.5	1.8	1.1	1.4
Germany	2.5	1.5	0.9	1.4
France	2.3	1.5	1.0	1.3
Italy	1.7	0.8	0.1	1.0
United Kingdom	1.8	1.4	1.2	1.3
Canada	3.0	1.8	1.2	1.8
Consumer Price Index (annual per cent change)				
G7	1.8	2.1	1.6	1.9
U.S.	2.1	2.4	2.0	2.1
Japan	0.5	1.0	0.5	1.4
Euro Area	1.5	1.8	1.3	1.4
Germany	1.7	1.9	1.6	1.8
France	1.2	2.1	1.6	1.7
Italy	1.3	1.2	0.9	1.2
United Kingdom	2.7	2.5	1.9	2.0
Canada	1.6	2.2	1.7	1.9
Unemployment Rate (per cent annual averages)				
U.S.	4.4	3.9	3.7	3.7
Japan	2.8	2.4	2.6	2.7
Euro Area	9.1	8.2	7.8	7.7
Germany	5.7	5.2	5.1	5.1
France	9.4	9.0	8.7	8.6
Italy	11.3	10.6	10.6	10.5
United Kingdom	4.3	4.1	4.2	4.4
Canada	6.3	5.8	5.9	5.9

*Share of 2017 world gross domestic product (GDP) at PPP.
Forecast as at March 2019.
Source: National statistics agencies, TD Economics.