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Economic Update & Outlook

Salim Zanzana
Economist
RBC Economics

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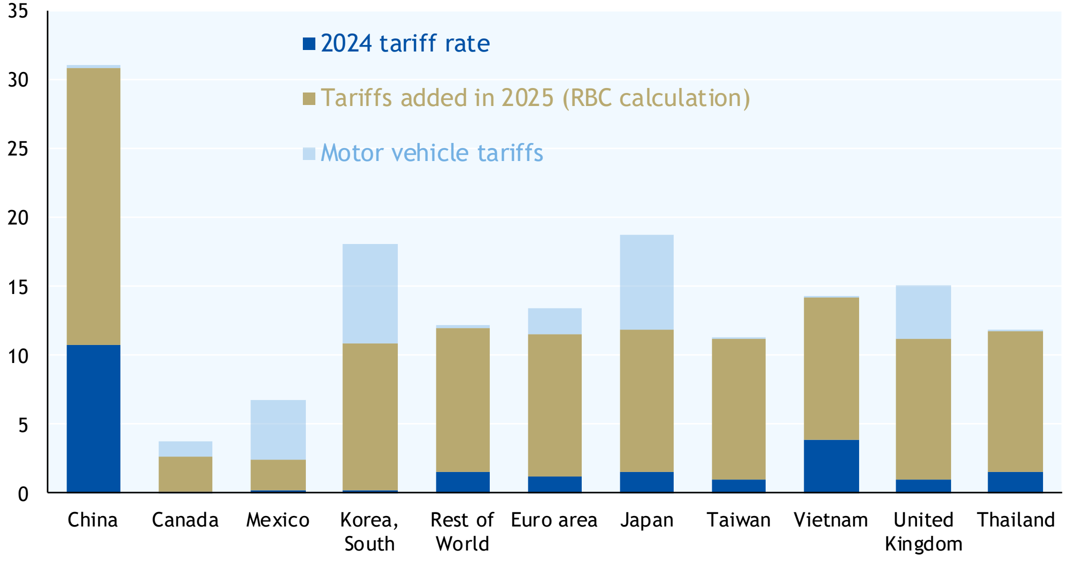
U.S. tariffs imposed on its trading partners

Effective U.S. tariff rates by country or region

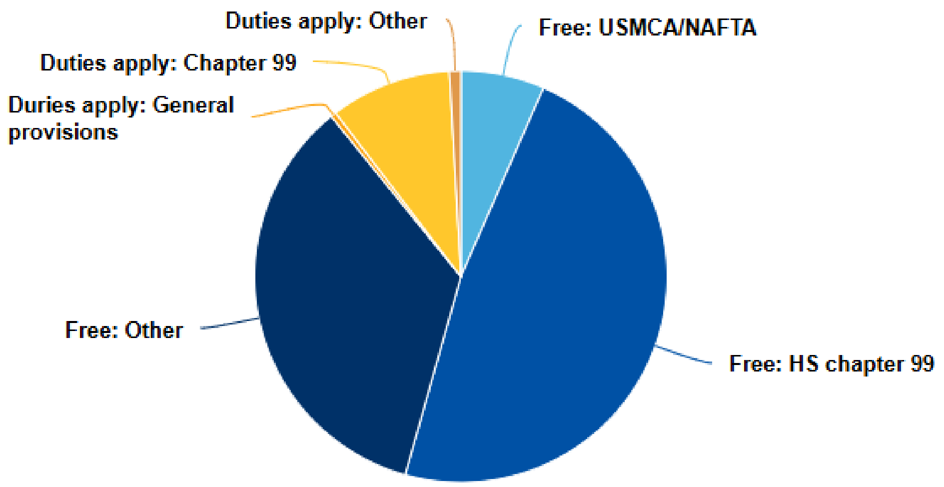
Custom duties as a % of imports



Source: U.S. Census Bureau, RBC Economics

US Imports from Canada by tariff schedule: April 2025

% of total U.S. imports from Canada



Source: U.S. Census Bureau, RBC Economics

It's been a roller coaster ride, but Canada's relative position now looks favourable

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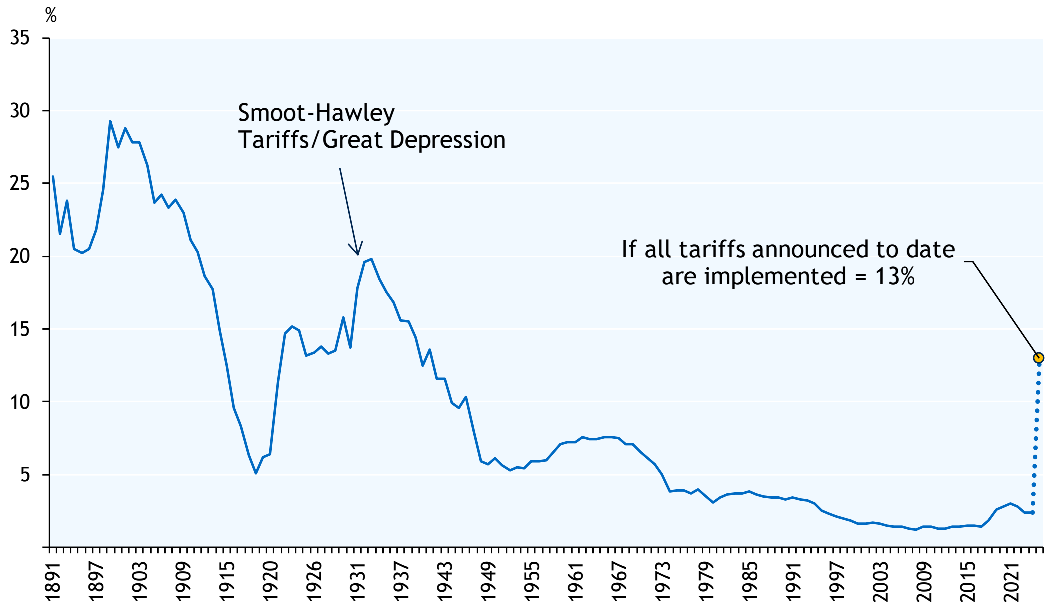
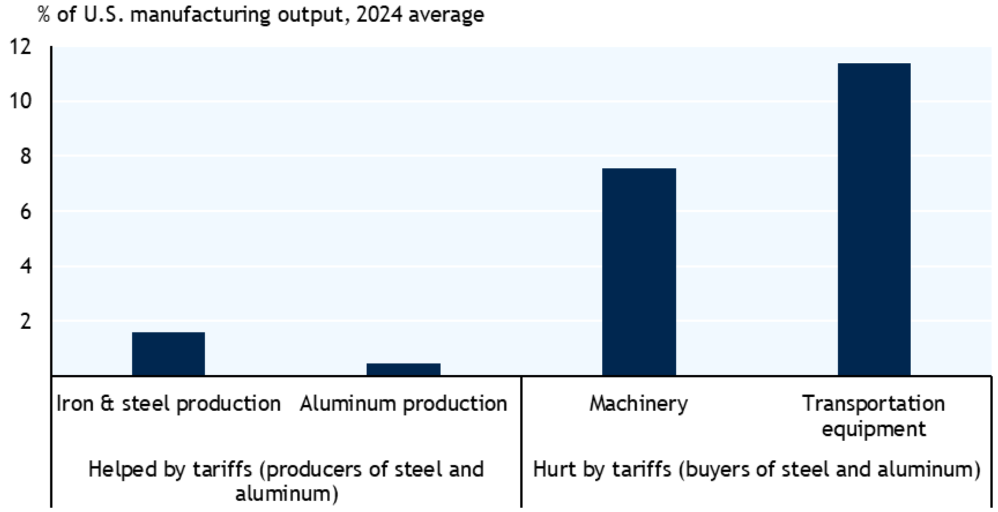
High tariff rates will disrupt U.S. economy

Effective import duties: United States



Source: US ITC, RBC Economics

Steel and aluminum tariffs hurt more U.S. manufacturers than they help



Source: U.S. Federal Reserve, RBC Economics Research

If sustained, would heat up inflation and destabilize manufacturing sector

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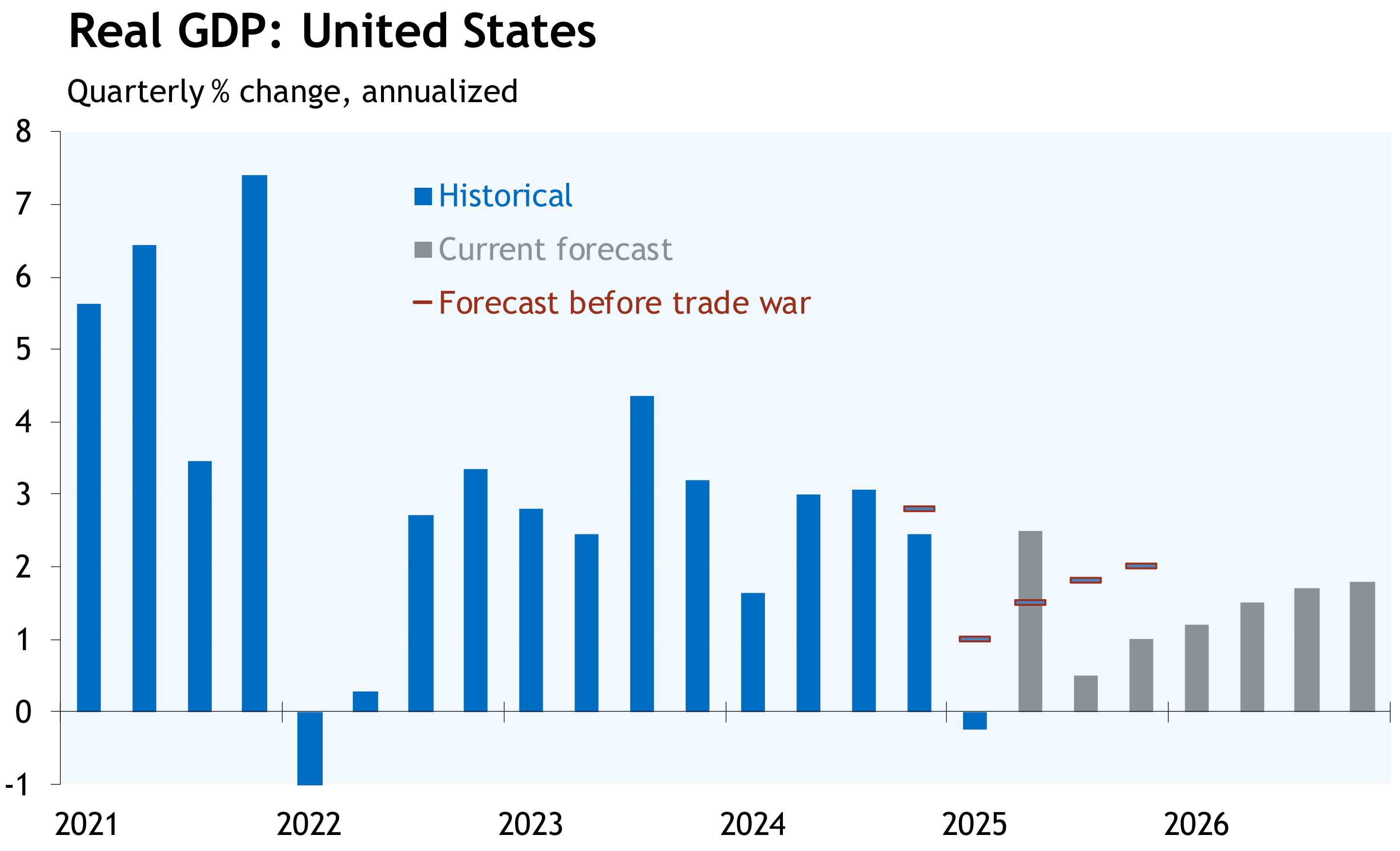
Trade risks to dampen U.S. growth



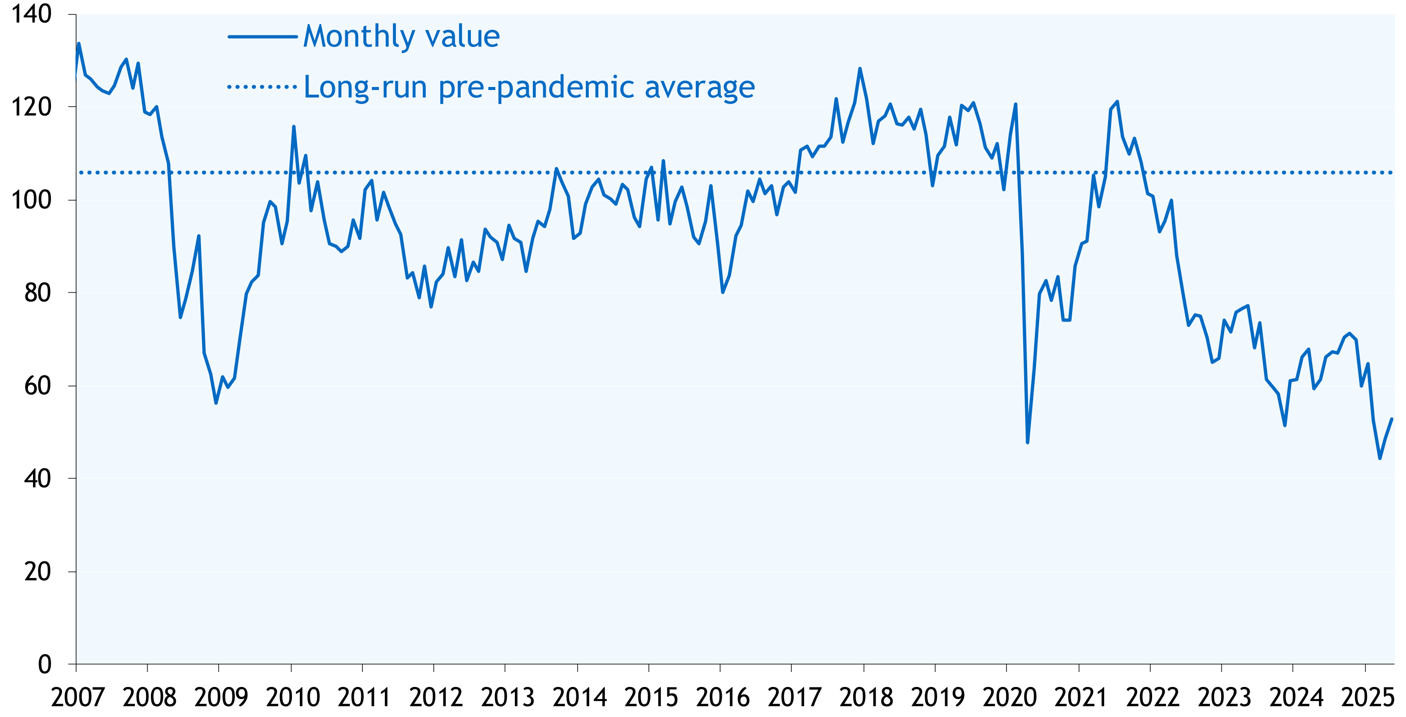
Source: Bureau of Economic Analysis, RBC Economics

Q1 weakness likely overdone but trade war has dampened growth prospects

Tariff threats weigh on consumer confidence at home…

Consumer confidence: Canada

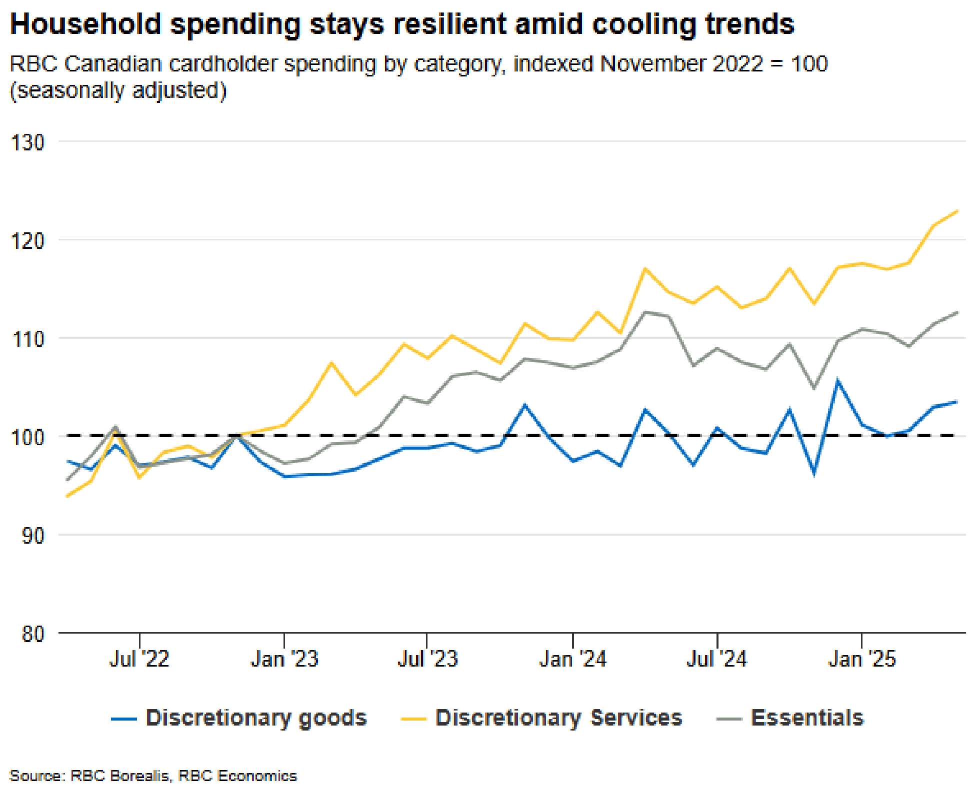
2014 = 100

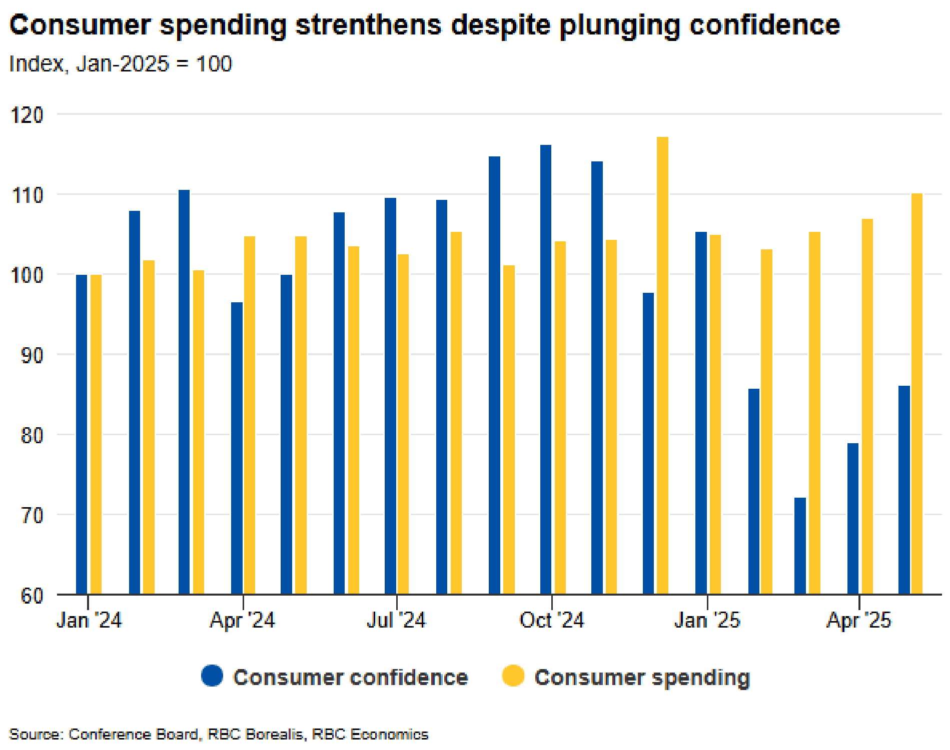


Source: Conference Board of Canada, RBC Economics

Canadian consumer confidence survey data near historical lows

RBC cardholder spending not as weak as confidence measures would suggest

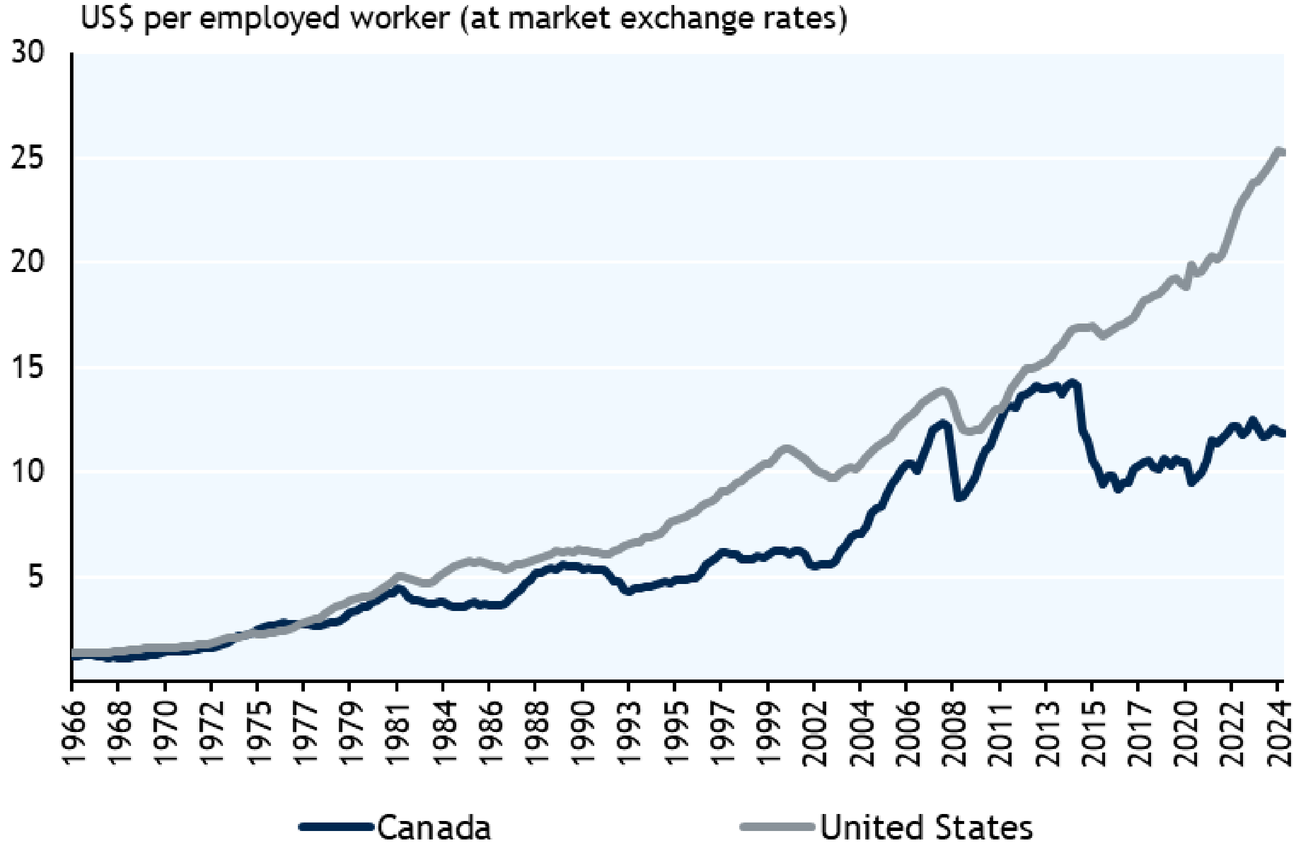




Canadian consumer spending levels resilient compared to record low consumer confidence

But worry is uncertainty will weigh on business investment even if sales hold up better than feared

Canada severely lags the U.S. in capital investment



Source: Statistics Canada, Bureau of Economics Analysis, RBC Economics Research

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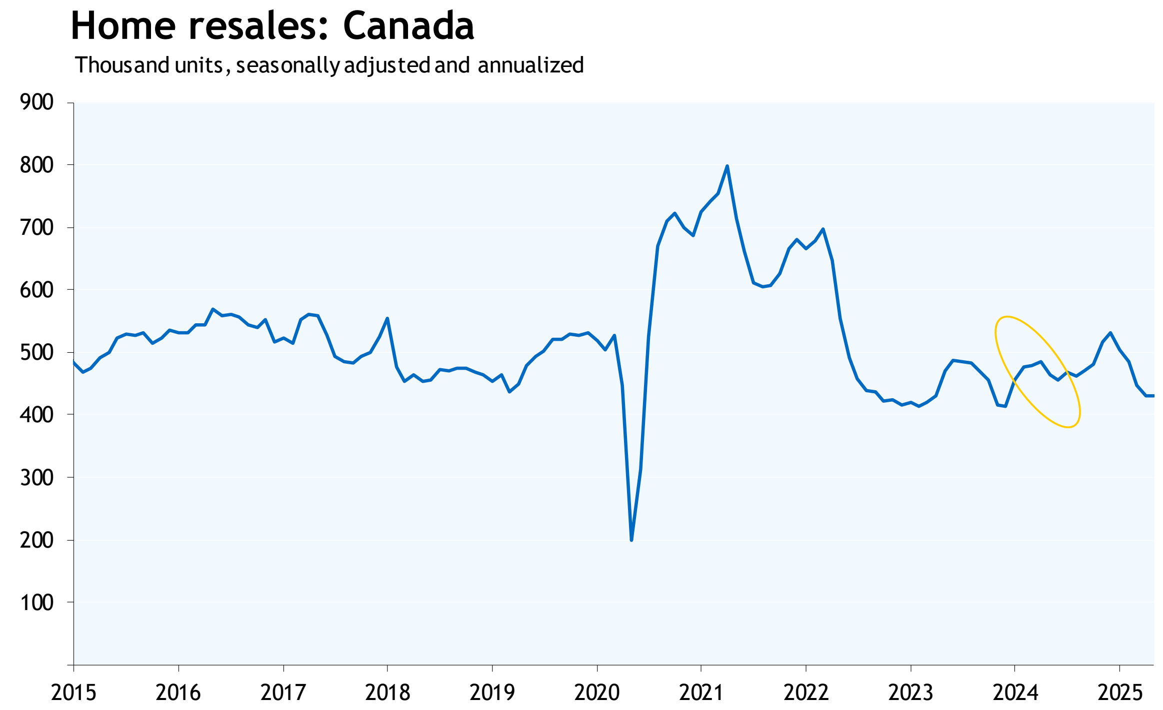
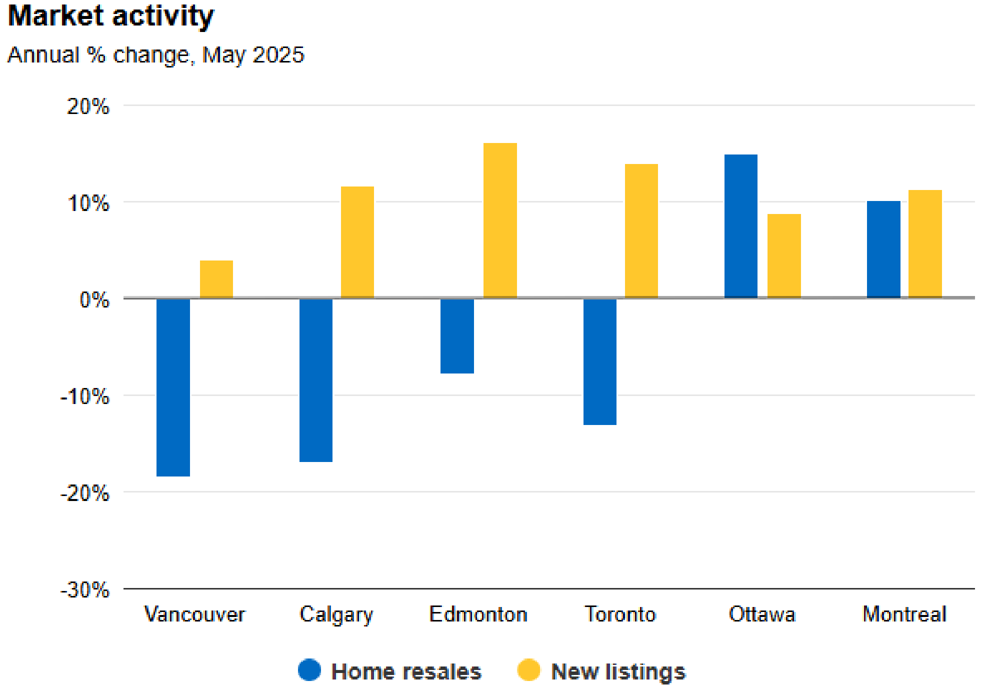
Uncertainty has derailed the housing market recovery



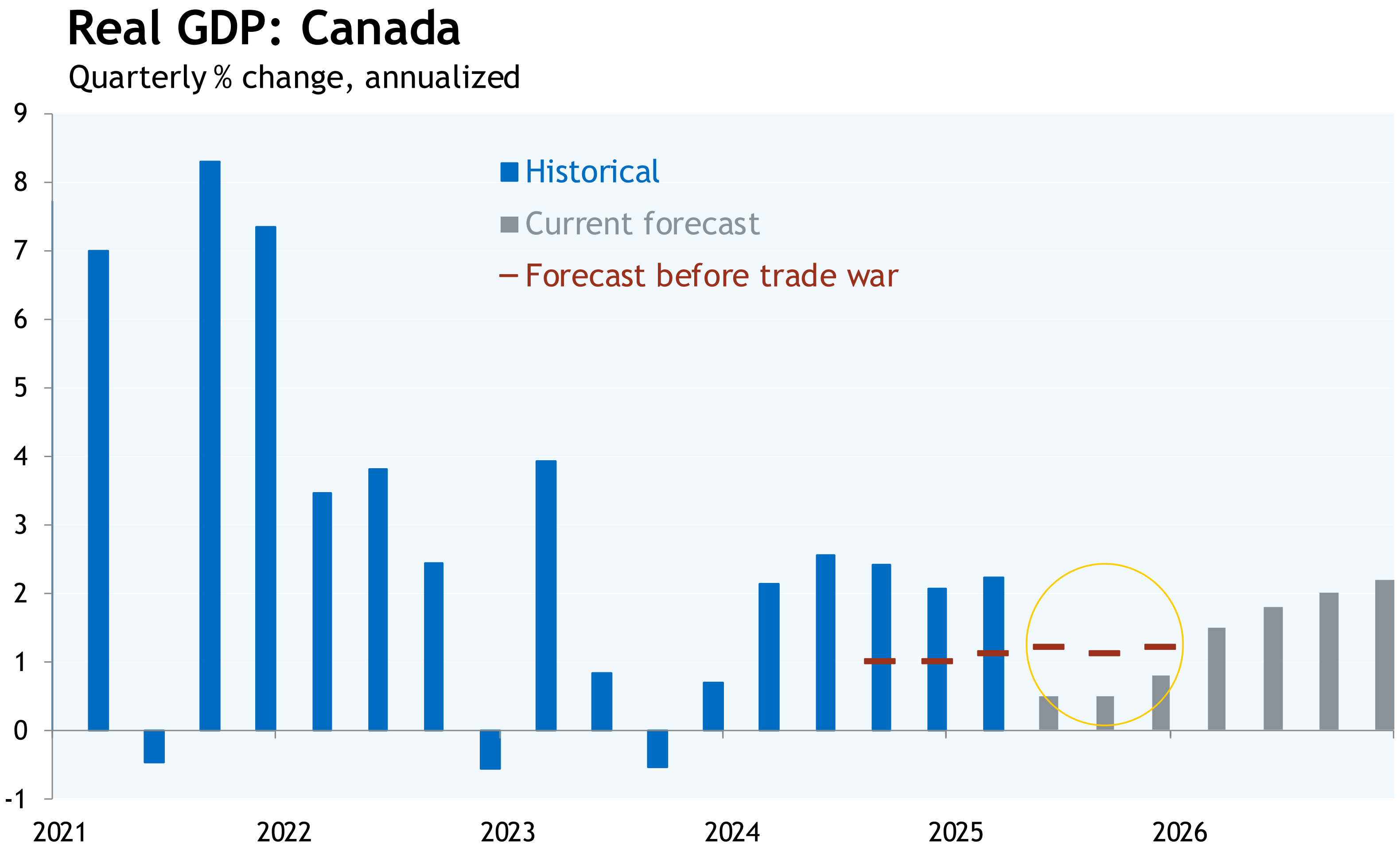
Source: Canadian Real Estate Association, RBC Economics



Source: REBGV, CREB, RAE, TRREB, OREB, QPAREB, RBC Economics

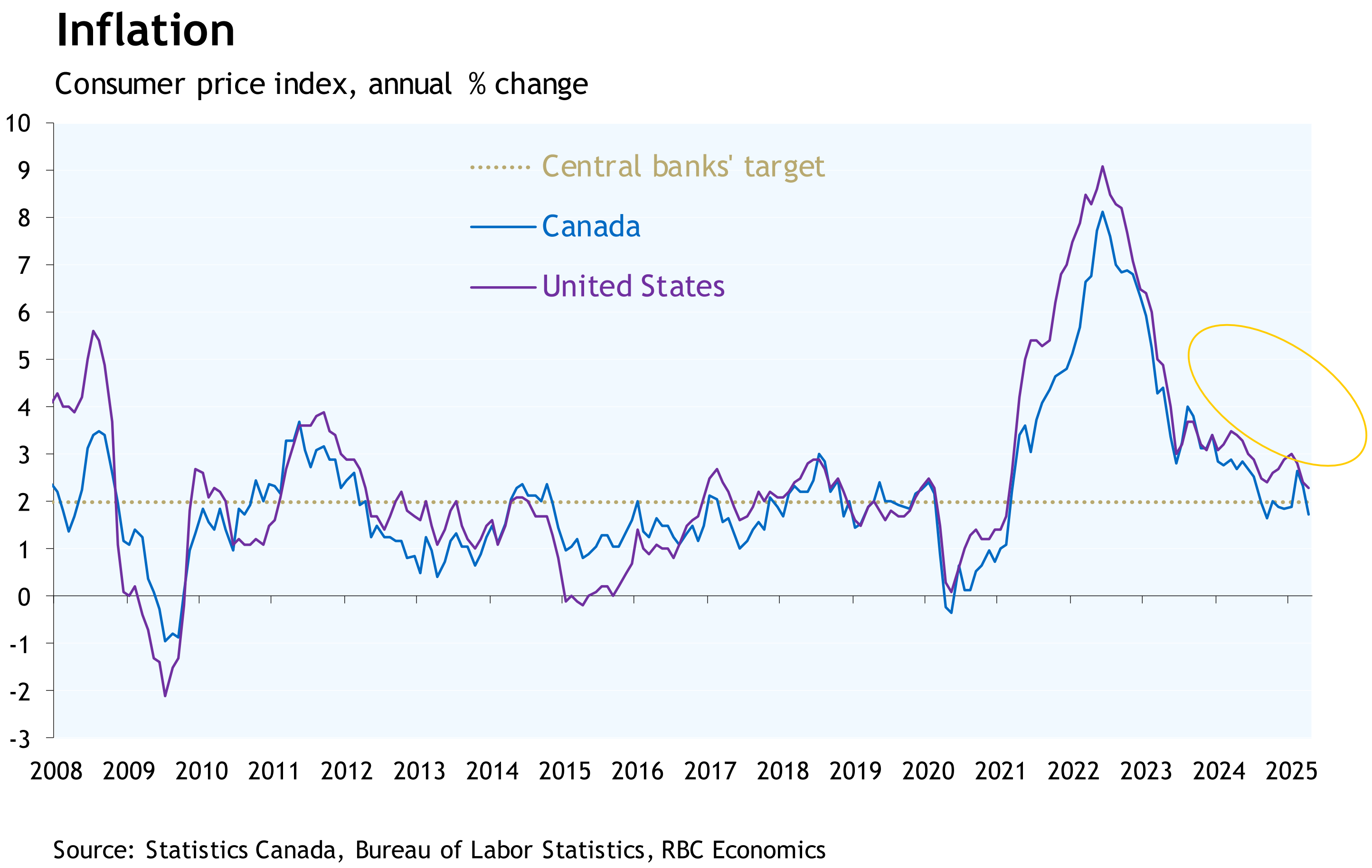
Economic uncertainty paralyzes buyers; spring activity the slowest since 1998

Economic growth to slow but stay positive



Source: Statistics Canada, RBC Economics

Inflation is on target in Canada



End of carbon tax will temporarily push inflation down

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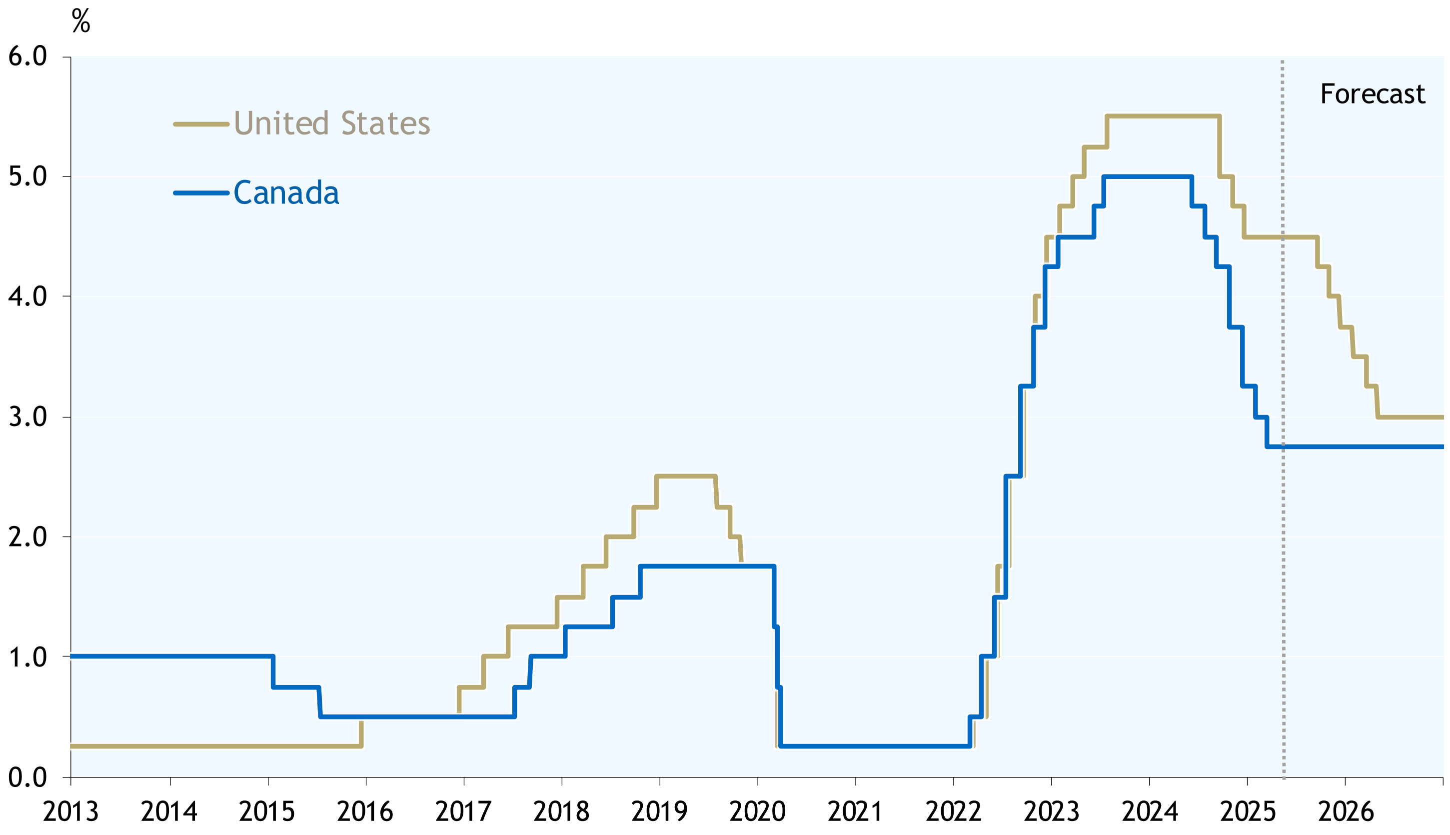
The Bank of Canada has cut aggressively

Policy interest rates



Source: Bank of Canada, Federal Reserve, RBC Economics

We think the BoC is done for now; Fed could start cutting later this year

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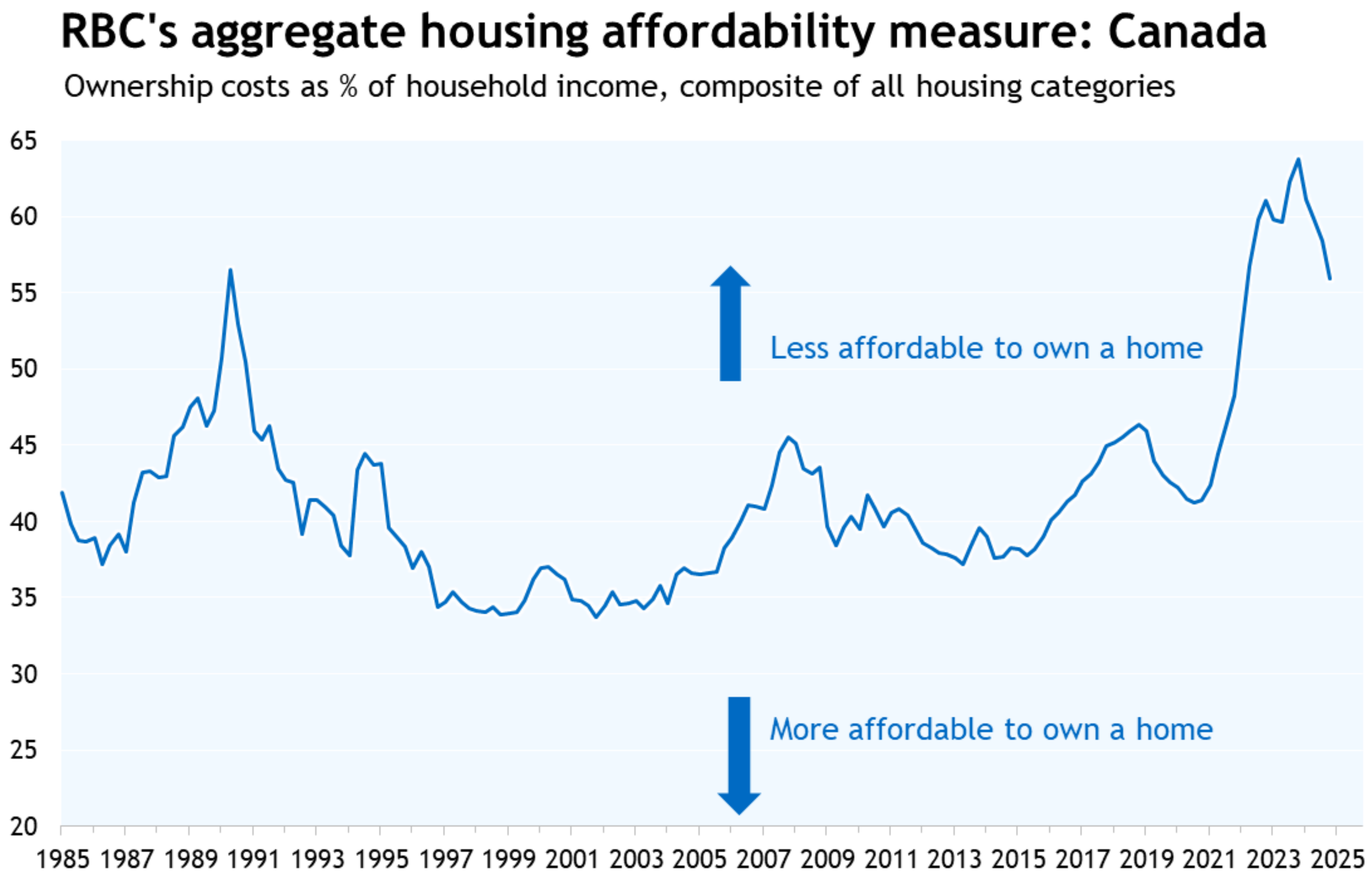
Rate cuts improve housing affordability in Canada



Source: RPS, Statistics Canada, Bank of Canada, RBC Economics

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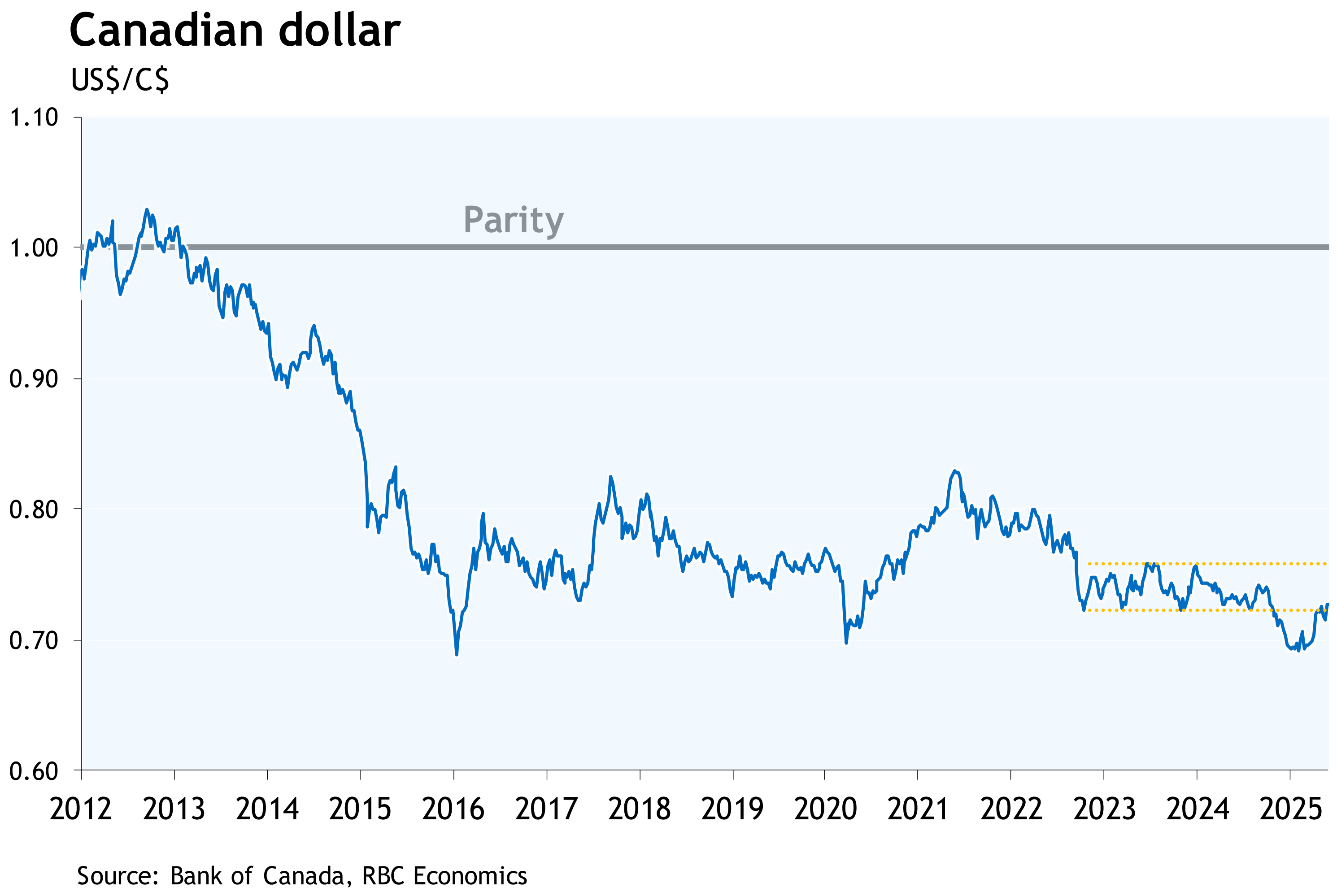
CAD rises on tighter rate spread prospects



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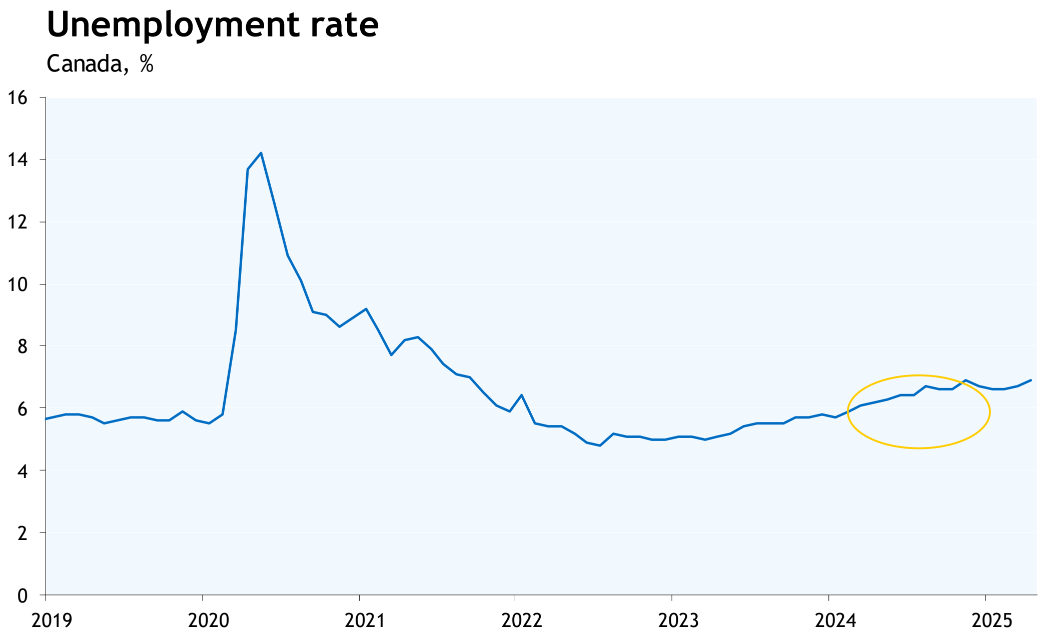
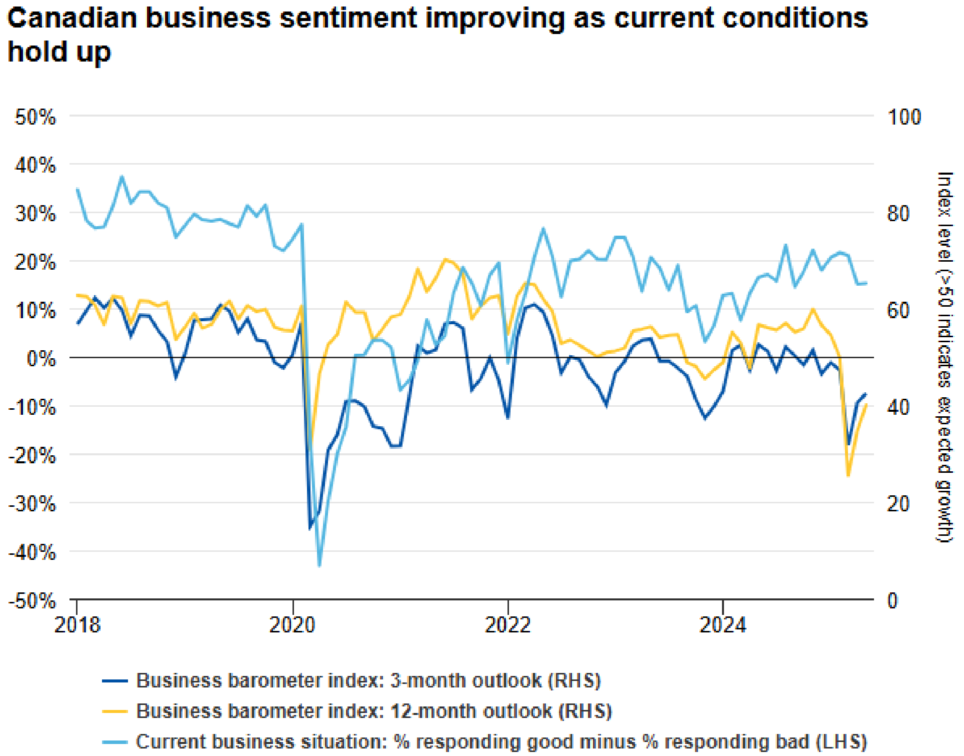
Unemployment rate likely nearing cyclical peak



Source: Statistics Canada, RBC Economics



Source: CFIB business barometer, RBC Economics

Jobless rate expected to reach 7.1% before stabilizing, then gradually ease

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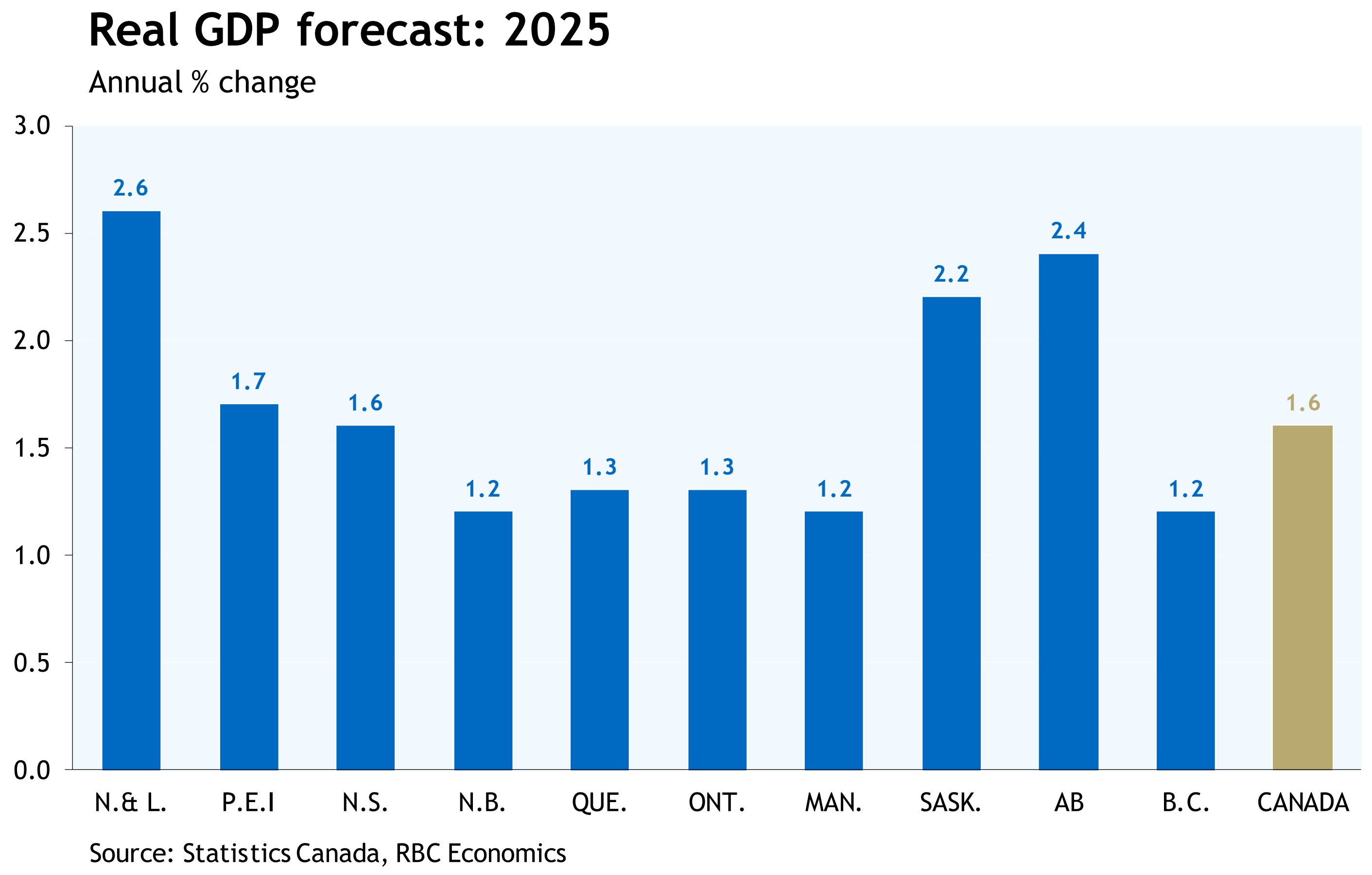
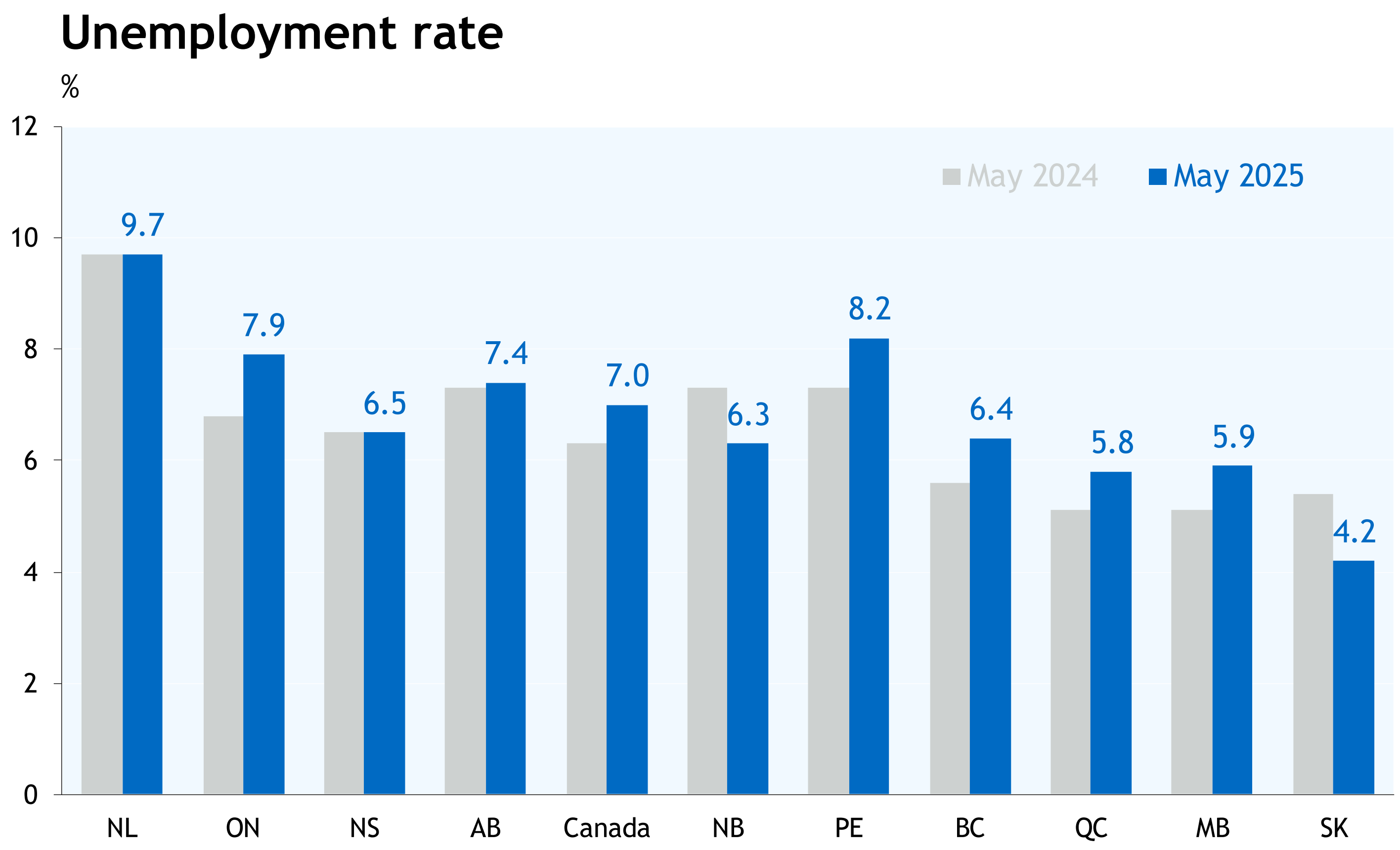
Outlook varies across the country



Most of the prairies expected to outperform; tariffs expected to hurt manufacturing

Some job markets under more pressure than others



Source: Statistics Canada, RBC Economics

Ontario employment is down 59k in last three months

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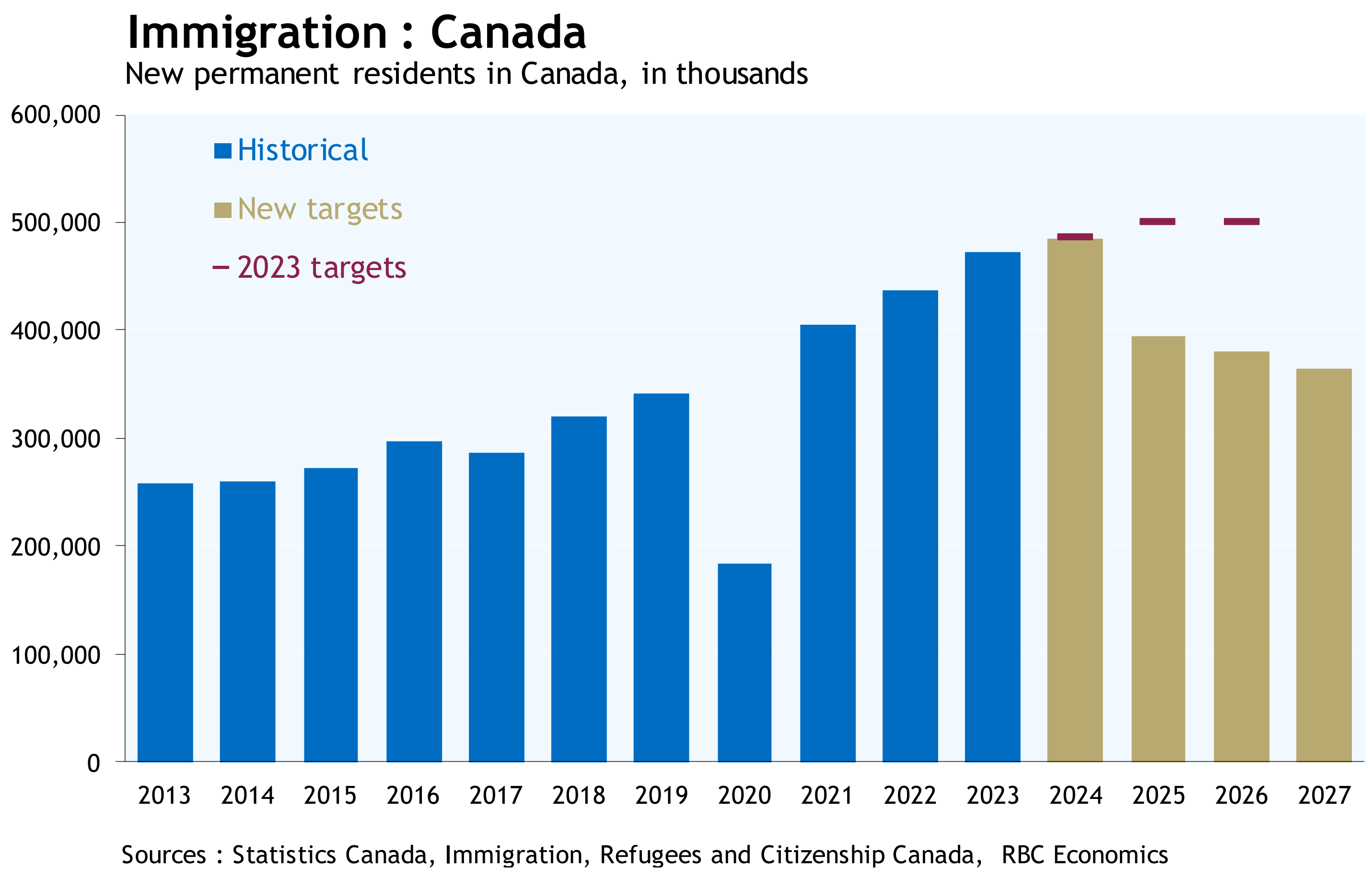
Demographic tailwind is shifting



Government cut targets materially and looking to slash NPRs to 5% of population

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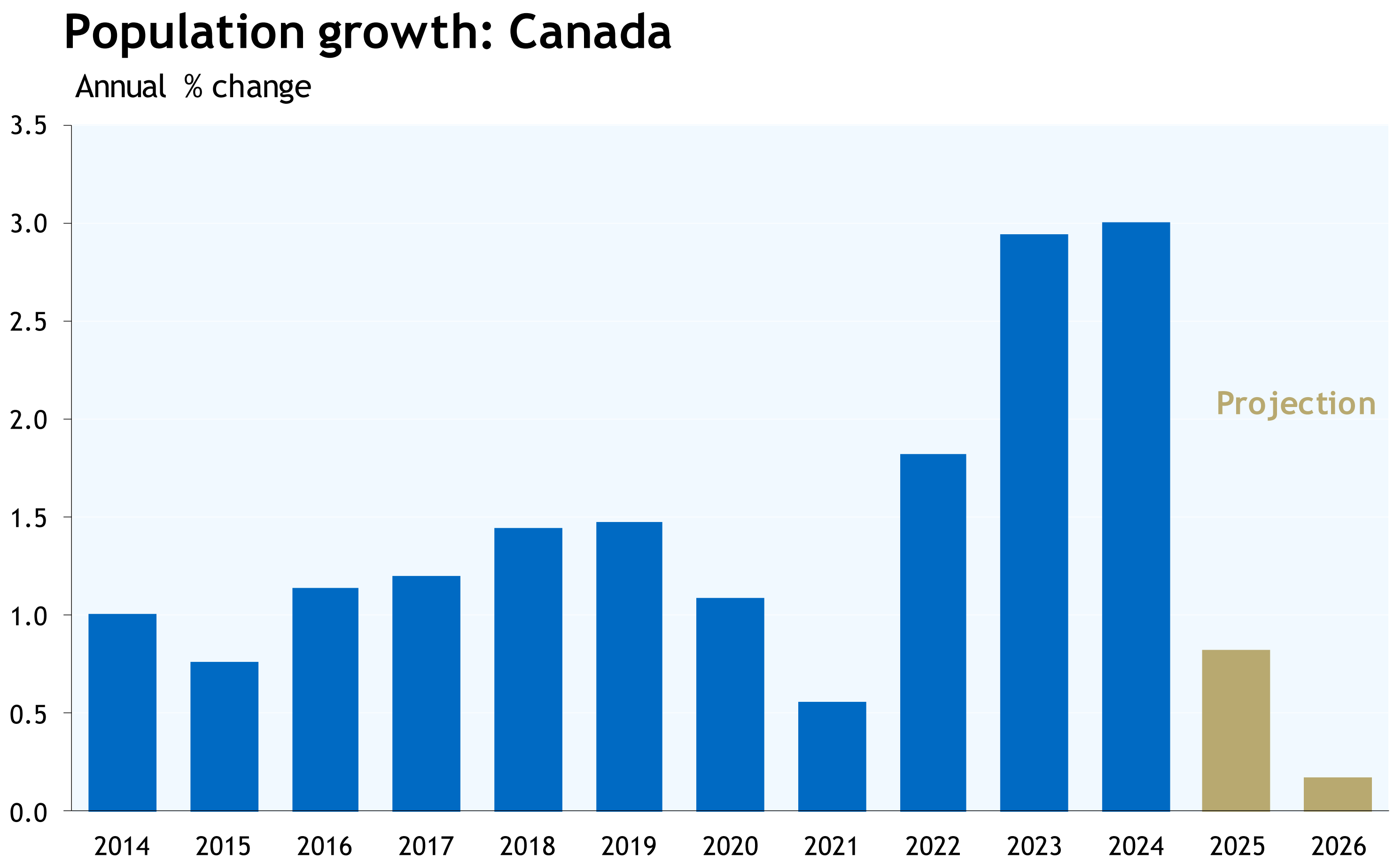
Population boom is ending



Source: Statistics Canada, RBC Economics

Immigration recalibration to hold back growth over the next 2-3 years

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For more information please visit:

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