Global Economic Outlook

Soft landing in sight

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

EDC Economics
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Canada

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Executive summary

Global Economic Outlook: Soft landing in sight

Stuart Bergman
Vice-President and Chief Economist

After a turbulent ride across a series of post-pandemic distortions and offsetting measures, the global economy is managing a smooth descent toward normalization. With the throttle scaled back, flaps deployed and landing gear about to be lowered, final approach adjustments are underway.

Our fall *Global Economic Outlook* (GEO) forecasts global growth of 3.2% this year, up from 3.1% in our spring edition. For 2025, EDC Economics expects steady growth at 3.3%, slightly down from the previous forecast of 3.5%.

Canada's outlook follows a similar flight path to that of the global economy, but at a slightly reduced altitude. We anticipate the Canadian economy will grow by just 1.1% this year, increasing to 1.6% in 2025. Growth is constrained by high consumer debt and a weakening labour market, which hasn't kept pace with new labour force entrants. Consequently, the unemployment gauge has ticked up by 1.5 percentage points since mid-2022, reaching 6.6%—the highest since May 2017 (excluding the pandemic years). At the same time, Canadians continue to save, with nearly $500 billion in savings, showing little sign of converting these into consumption soon.

The weaker labour market and easing pricing pressures gave the Bank of Canada clearance to make a heading adjustment before the rest of the fleet, beginning its rate cut cycle in June. With inflation falling to 2% in August, and forecasted to average 2.2% in 2025, we expect the central bank to continue this steady glide path, landing at a terminal rate of 2.75% by the end of next year. As the U.S. Federal Reserve begins its own rate adjustments, the Canadian dollar is expected to average US$0.73 in 2024 and US$0.74 in 2025.

In the first half of the year, the U.S. economy seemed to be cruising smoothly, unaffected by the turbulence impacting other economies. Job creation continued to hold altitude, consumer spending was flying high, and inflation maintained a steady course to target. However, the third quarter showed signs of slowing, as the effects of higher interest rates began to impact the real economy. Job growth and real wage growth have decelerated. While companies are hesitant to lay off workers due to post-pandemic hiring challenges, the economy is poised for a slower climb.

We expect U.S. growth of 2.5% in 2024 to descend to 1.8% next year. The outcome of the November presidential election could lead us to adjust our 2025 forecast further, however, as the impacts of any policy shifts become clear. The long-awaited retreat in inflation cleared the Fed to join the policy pivot formation, following other major central banks in September, with a 50-basis point cut. We expect the central bank to continue to take a cautious approach to easing, landing at a terminal range of 2.5%-2.75% by the end of 2026.

Europe can expect moderate economic growth, with the Zone expanding by 0.8% in 2024 and 1.4% in 2025. In Germany, weak consumer confidence is compounded by a gloomy trade outlook. China's economic slowdown will impact Germany's export engine, as the country grapples with cheap imports and ongoing energy security issues, causing business investment to sputter.

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Political fragmentation and budgetary constraints across Europe will keep governments grounded, preventing any decisive fiscal thrusts. A recovery in household incomes, a tighter labour market due to a shrinking working-age population, and a rebound in global demand will provide some lift in the latter part of our forecast horizon.

Our outlook for Mexico has pulled back sharply since our last forecast, with growth expected to reach just 1% in 2024, climbing to a modest 1.4% in 2025. The labour market has deteriorated more than anticipated, and government spending—which took off ahead of June's election—is likely to face fiscal headwinds. More significantly, the incoming Claudia Sheinbaum administration's policy manoeuvres, particularly the proposed judicial reform, have been poorly received by investors. This has led to sustained financial market volatility and causing private investment to stall.

The outlook for China remains a drag on the global economy, as weak consumer spending, ongoing overcapacity in the property sector and the looming threat of deflation cast a pall over the country's skies. We forecast Chinese growth of 4.8% in 2024 spiralling further, to 4.5%, in 2025. Slower domestic demand in China, as consumers opt to pay down debt, has caused authorities to lean more heavily on manufacturing and exports. This strategy has also contributed to growing trade tensions with the West, resulting in a series of retaliatory tariffs and trade restrictions that'll negatively impact not just Chinese, but global trade patterns going forward.

The relatively modest global outlook for 2024 will translate into a soft environment for commodity prices as weaker demand and ample supply put downward pressure on pricing. China's deceleration, combined with supply from the non-Organization of the Petroleum Exporting Countries (OPEC), will continue to constrain oil prices. We forecast average West Texas Intermediate oil prices to cruise at slightly less than US$78 a barrel in 2024, before dropping to around US$71 in 2025. Gold prices continue to push against this trend, buoyed by interest rate cuts and ongoing geopolitical turbulence. We expect gold to average US$2,352 per troy ounce in 2024 and US$2,408 per troy ounce in 2025.

The bottom line?

The global economy appears to be stabilizing and aligning for a relatively steady approach. While the world's major economies managed to avoid the crash many had anticipated, this next phase won't come without risk. The outcome of the U.S. election in November will have far reaching impacts, as we await policy clarity from other newly elected governments, as well.

Geopolitical volatility continues to disrupt commodity markets and supply chains. Increased tensions could further impact global risk sentiment, pressure financial conditions and undermine confidence, leading to weaker global demand. But, given the journey we've been through, few would have predicted our current position. Here's hoping we can stick the soft landing.

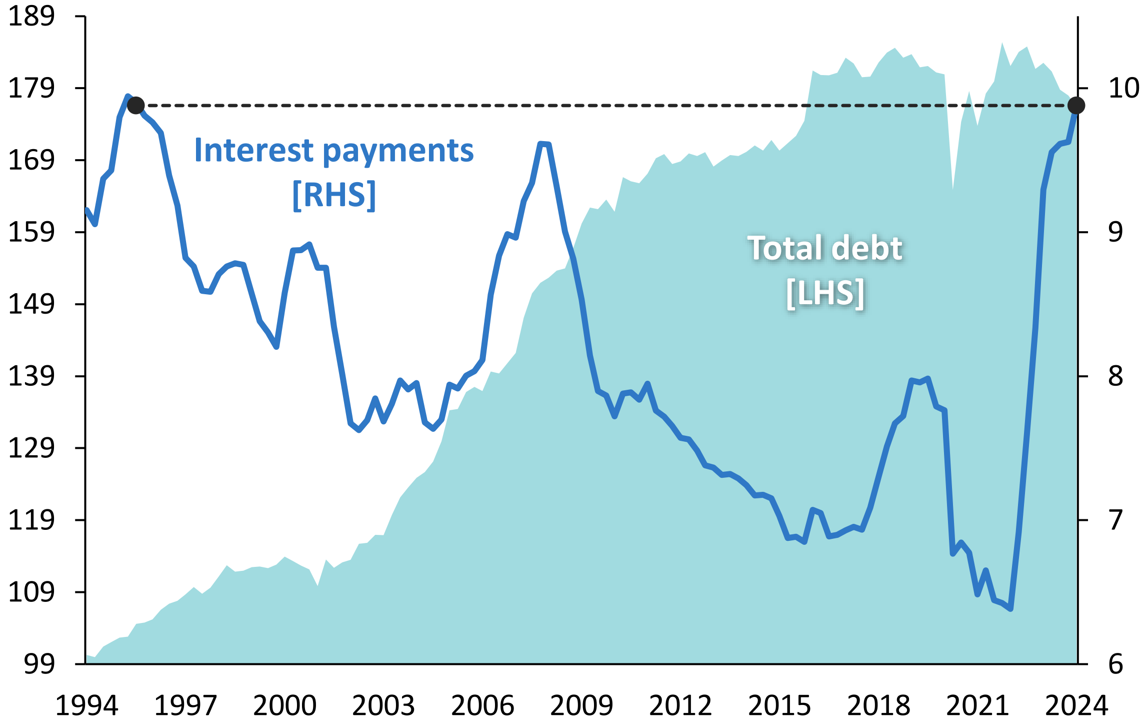
MACROECONOMIC CONTEXT

Interest payments and cautious saving deteriorating Canadian consumption

Canada's rapid monetary tightening caused a generational shock. Households now spend 9.5% of their incomes on interest payments—almost double the March 2022 rate. Also, since the pandemic, they've been growing their savings. This has dropped consumption to levels not experienced since 1996 (excluding COVID-19). Interest costs will gradually ease, supporting consumption and domestic demand, but wary Canadians may now save more of their incomes going forward.

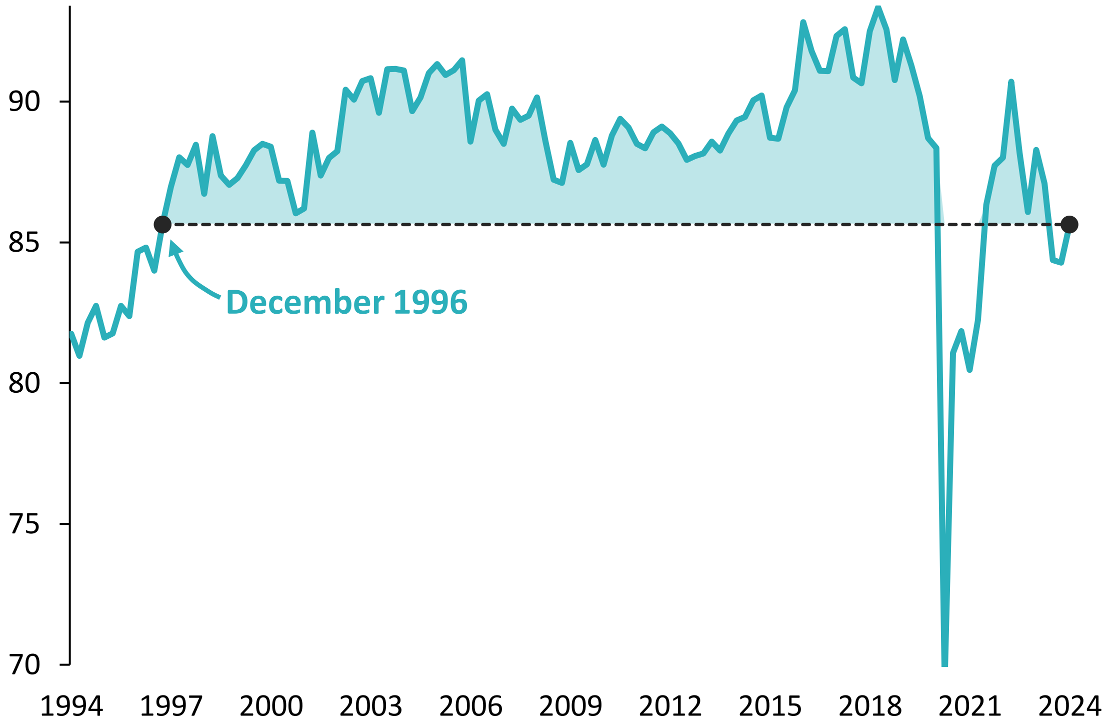
Interest payments at three-decade high

Shares (%) of household disposable income, SA



Consumption at three-decade low

Share (%) of household disposable income, SA



Source: Haver Analytics

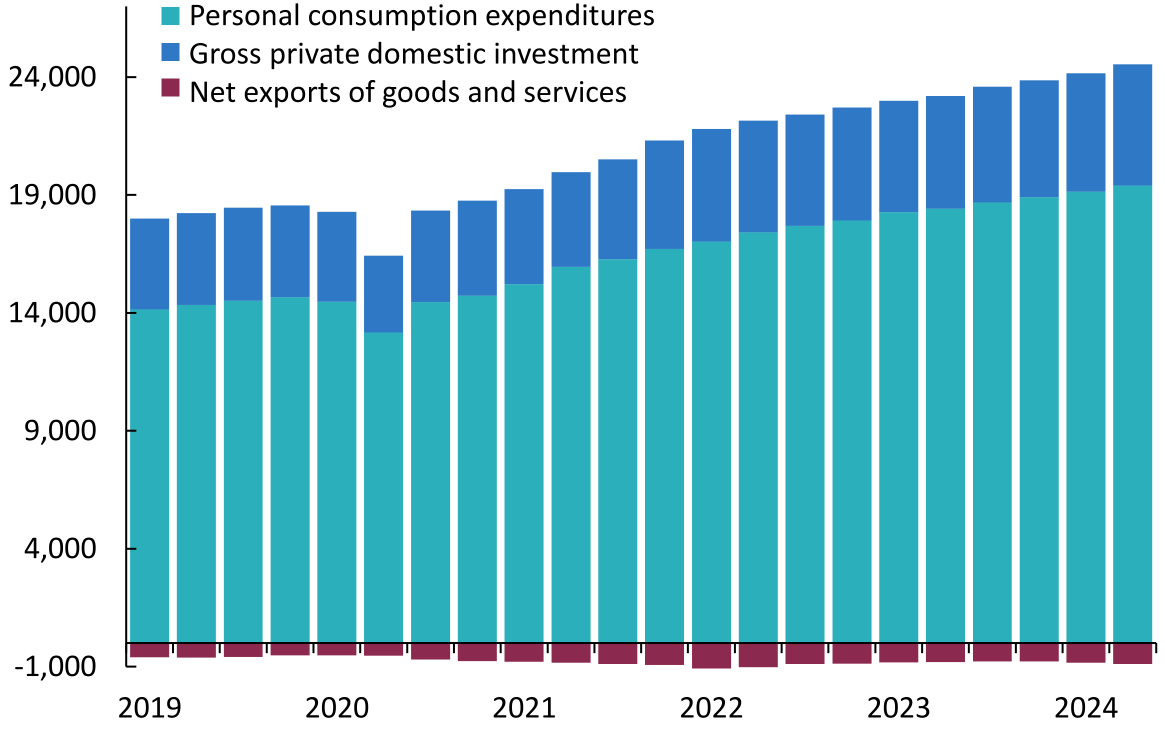
Note: All disposable incomes are pre-interest payments. RHS = right-hand side. LHS = left-hand side. SA = seasonally adjusted.

Will U.S. momentum hold before monetary loosening takes effect?

The U.S. economy has defied expectations, as growth has been supported by consumer spending and elevated investment. Several forces are colliding—including continued real wage growth, significant price drops across big-box retailers, slowing job gains and plummeting household savings (raising sustainability concerns). The balance between consumption and fiscal policy will be crucial as it will take time for monetary easing to flow through to the economy.

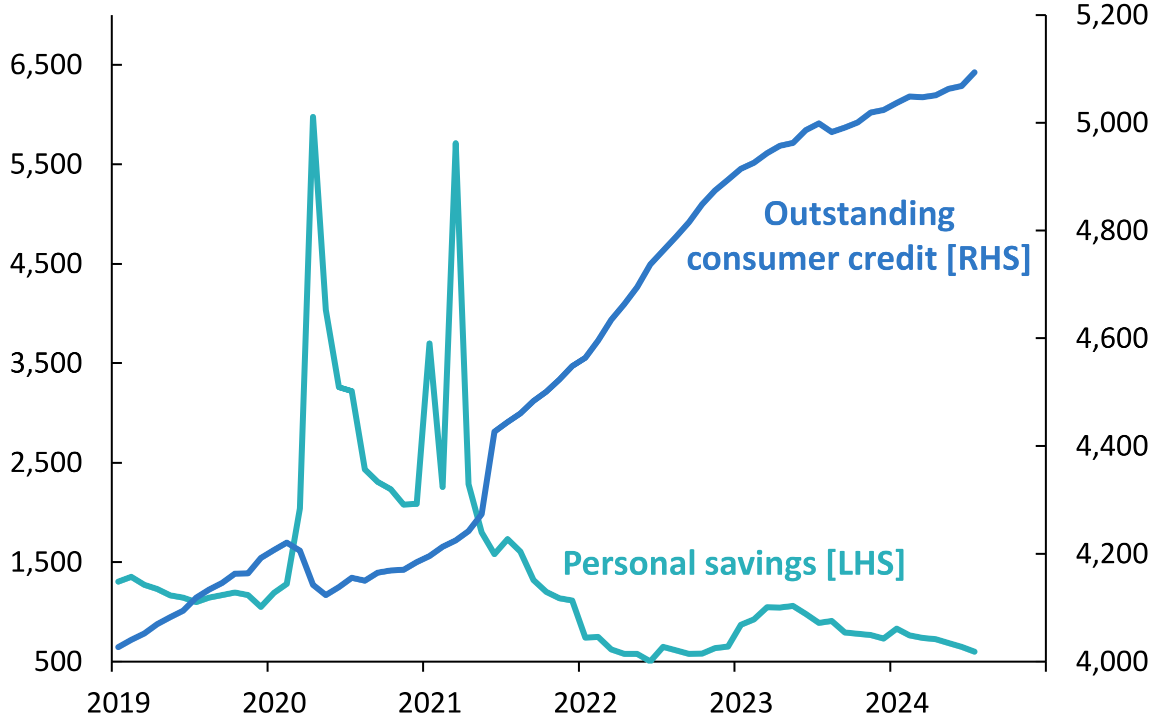
Consumption component leading U.S. GDP growth

Billions of US$, SAAR



Consumption will rely on credit as savings are depleted

LHS: Billions of US$, SAAR; RHS: Billions of US$, EOP, SA



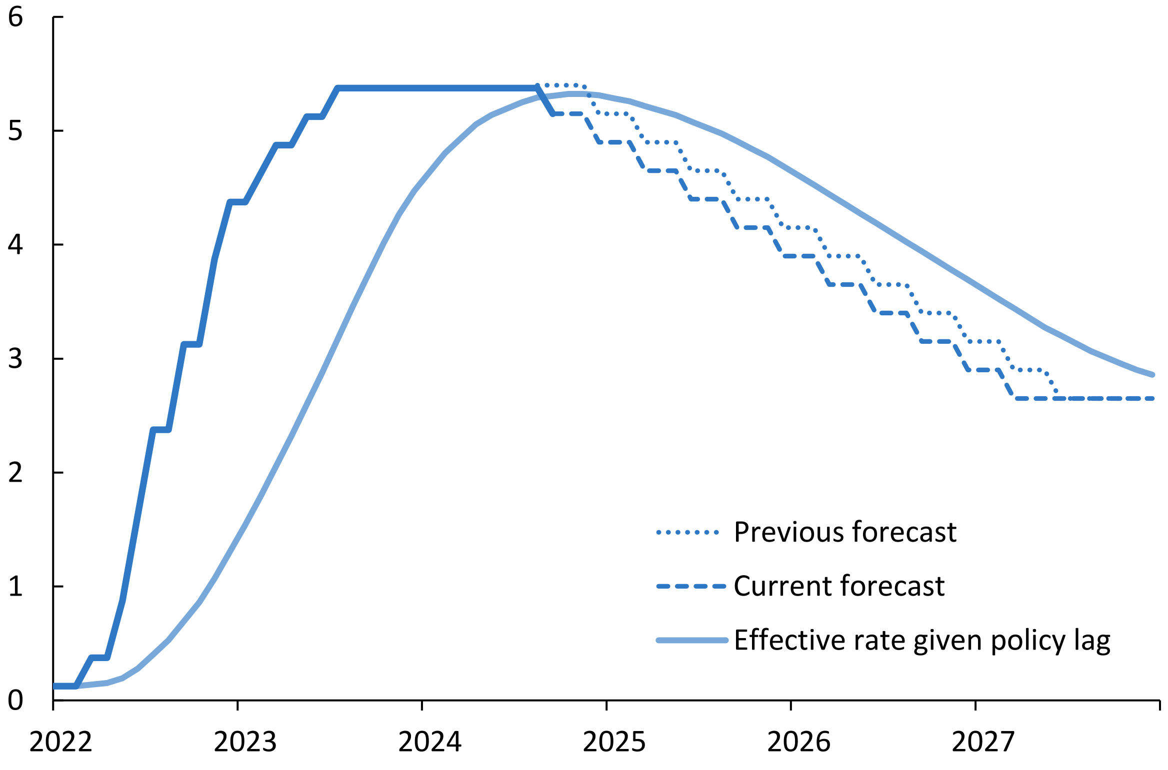
Sources: Haver Analytics, EDC Economics
Note: SAAR = seasonally adjusted at annual rate. SA = seasonally adjusted. EOP = end of period. RHS = right-hand side. LHS = left-hand side.

Easing monetary policies will take time to flow through to the economy

The U.S. Federal Reserve finally cut interest rates in September. As outlined in our summer Sectors in focus report, there's an 18-month lag between when a cut occurs and when it fully feeds through to the economy. This means that the first U.S. cut won't be fully felt until March 2026, while Canada's earlier initial cut will take full effect by December 2025.

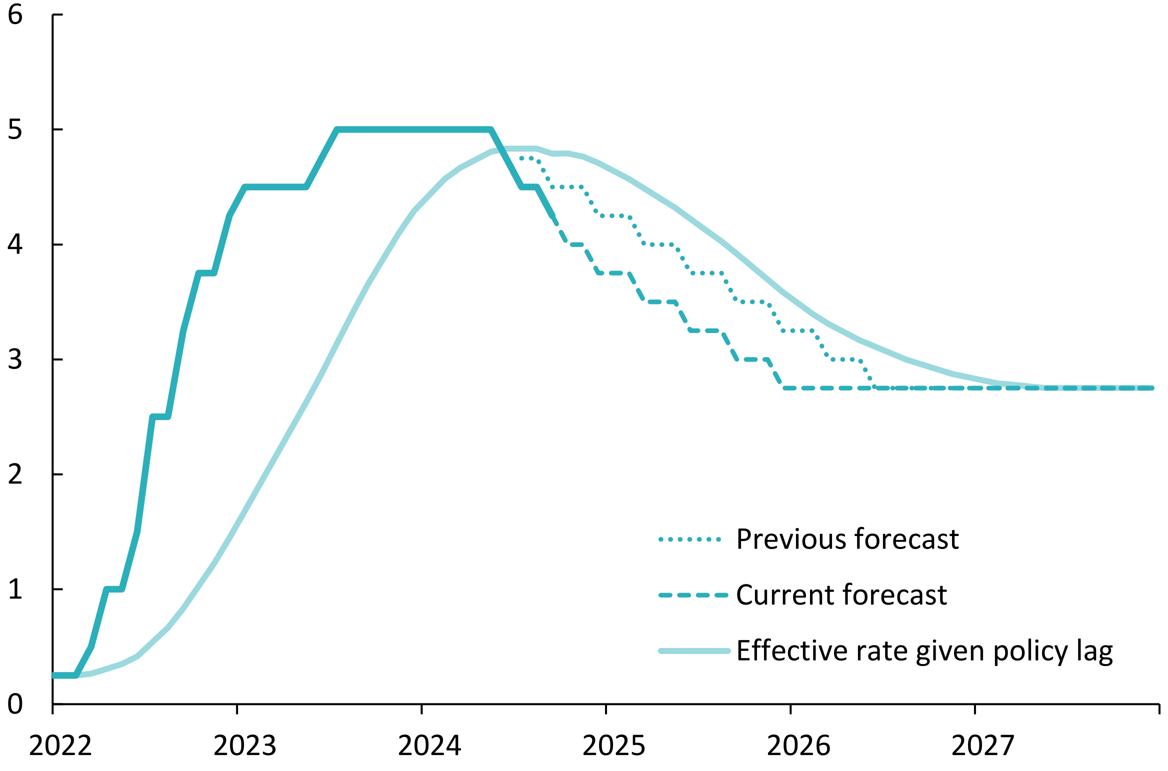
U.S. policy rate finally coming down

Federal funds target rate, %, EOP



Canadian rates falling faster to protect labour market

Overnight target rate, %, EOP



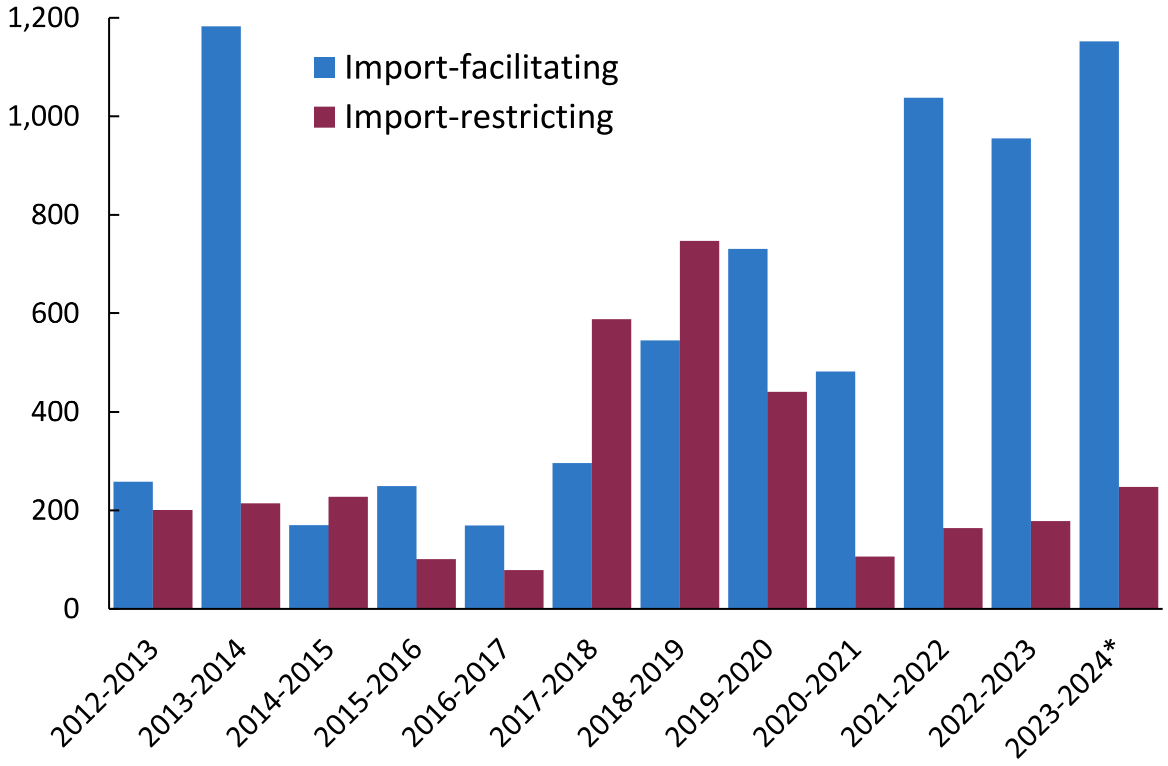
Note: EOP = end of period. The "effective rate given policy lag" is an 18-month moving average of the interest rates (using current forecast when existing data ends).
Sources: Haver Analytics, EDC Economics

Trade barriers are rising, but so are liberalization efforts

Contrasting trends are at play in global trade, with protectionist and liberalizing forces both growing. Import restrictions and technical trade barriers are increasing, while regional trade agreements (RTA) are also on the rise. The rise in trade-facilitating policies has been outpacing restrictive policies, and countries are now increasingly trading within their geopolitical blocs. The outlook for trade is positive, but this highlights the growing complexity of the trade landscape.

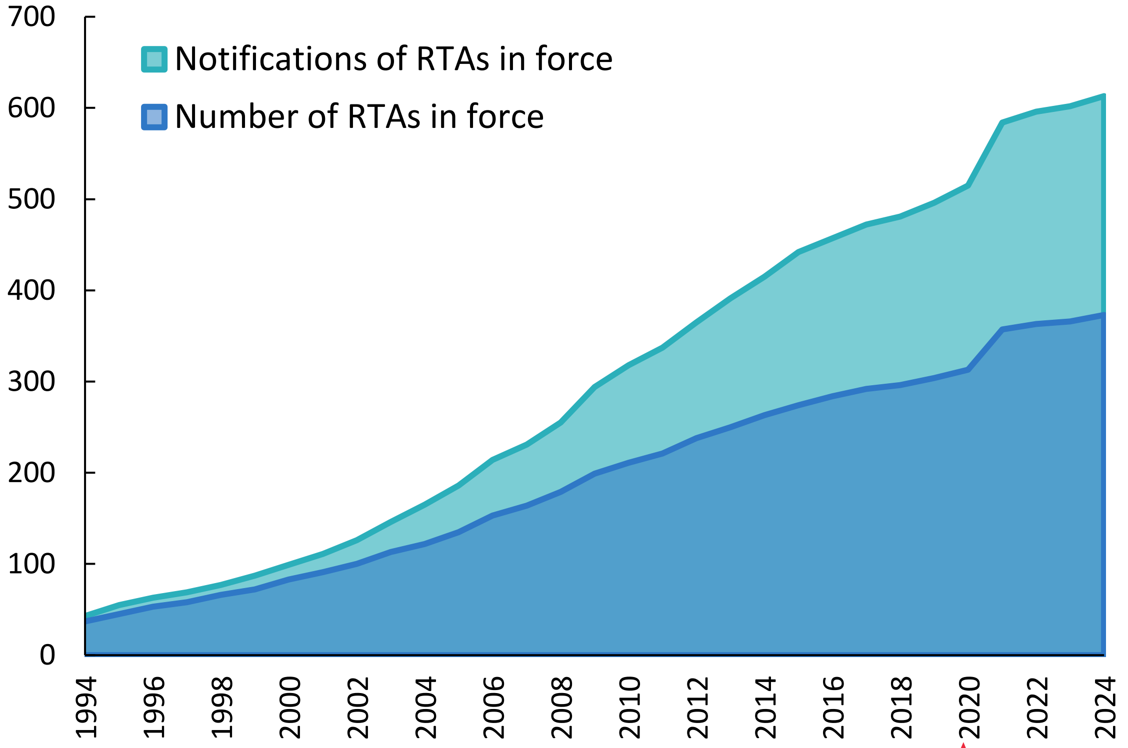
Value of trade covered by new trade measures

Each reporting period, not cumulative, US$ billions



Regional trade agreements currently in effect

Cumulative number of regional trade agreements and notifications in force



Note: Trade coverage measured on imports. *Mid-October 2023 to mid-May 2024. RTA = regional trade agreement. RTA notifications refer to notifications on RTA implementations or changes.
Sources: WTO Secretariat and World Trade Monitoring Update 2024

China's real estate crisis continues to drag on economy

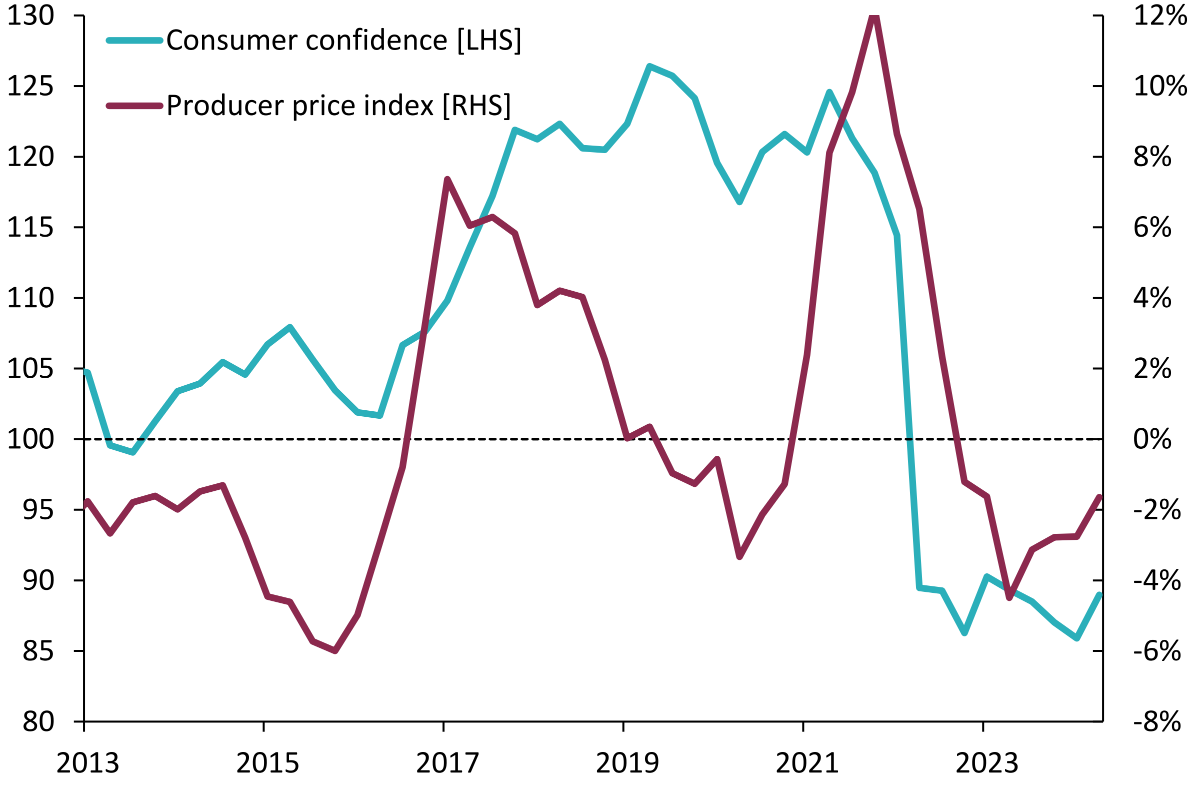
Falling home prices are deteriorating household wealth and eroding consumer sentiment—leading consumers to spend less and save more to rebuild their finances. This has led to weak domestic demand and subsequent price drops, which have further weakened the domestic labour market.

China's property market slowdown continues

LHS: Millions of square metres sold (SA); RHS: Billions of yuan (SA)

Dragging on consumer sentiment and prices

LHS: Consumer confidence (+100 = optimistic); RHS: Year-over-year change (%)



Sources: China National Bureau of Statistics, Haver Analytics, EDC Economics

Note: "Investment in construction" is real estate investment in construction. "Residential buildings sold" is by floor space. SA = seasonally adjusted. The producer price index (2020 = 100) spans all industrial products.

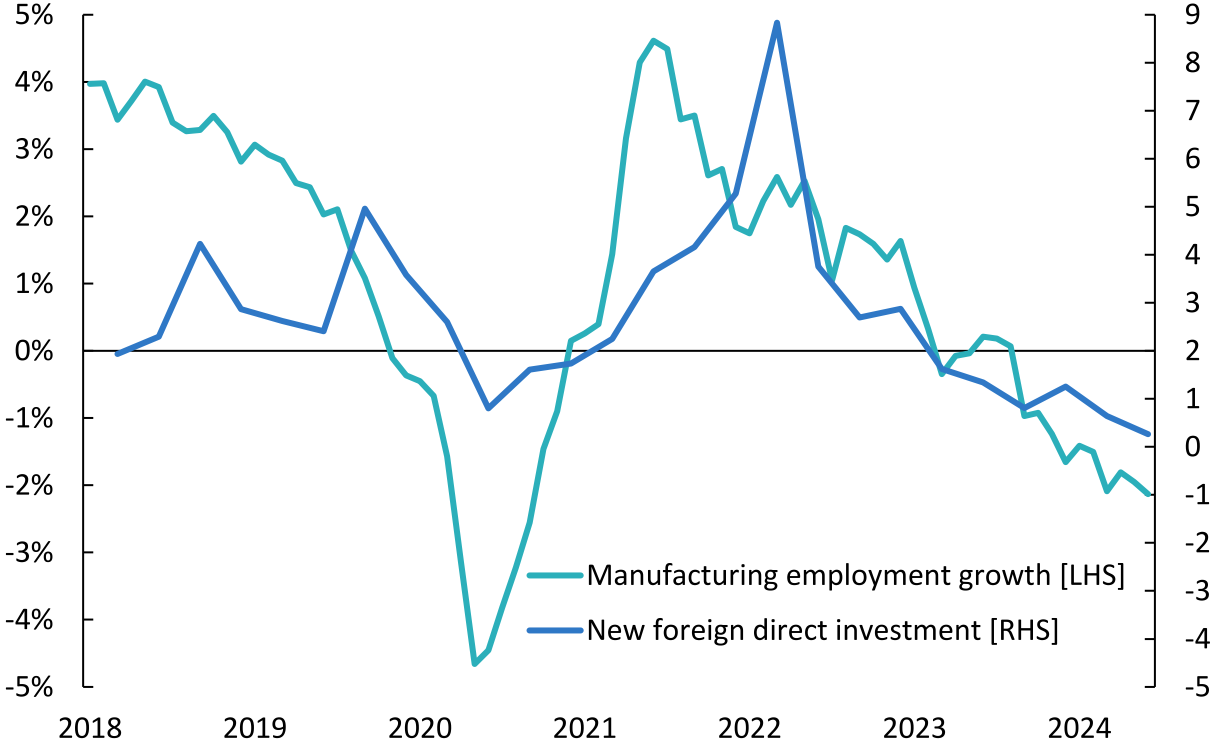
EDC

Mexico's missed opportunities

Mexico's economy has hit a rough patch, as businesses and financial markets have reacted to policy uncertainty under the new administration. Top of mind is the judicial reforms adopted in September, which could greatly increase government influence over the elected judiciary—and result in more policy volatility. Despite the long-term risks, the economic environment could improve if policy risks are minimized in the short term.

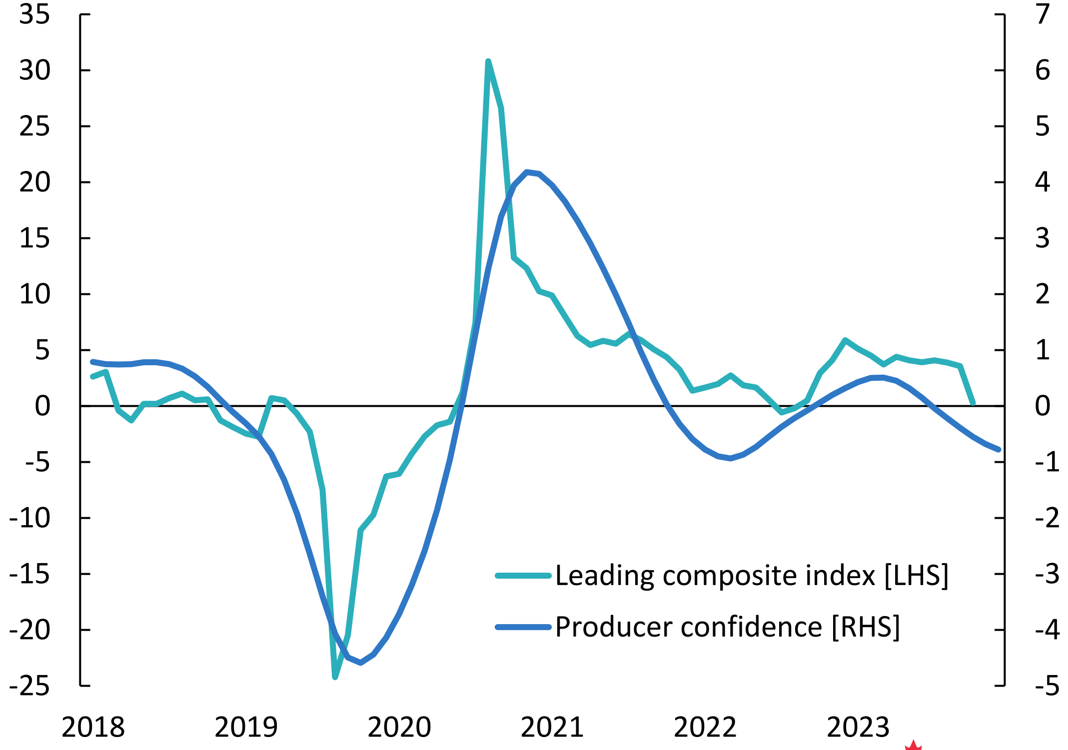
Manufacturing employment and foreign investment falling

LHS: Year-over-year employment growth (%); RHS: US$ billions



Mexican sentiment indicators on a downward trend

Year-over-year percent change in indices



Source: Haver Analytics

Note: The "leading composite index" combines financial, production and employment indicators to construct a forward-looking outlook estimate. RHS = right-hand side. LHS = left-hand side.

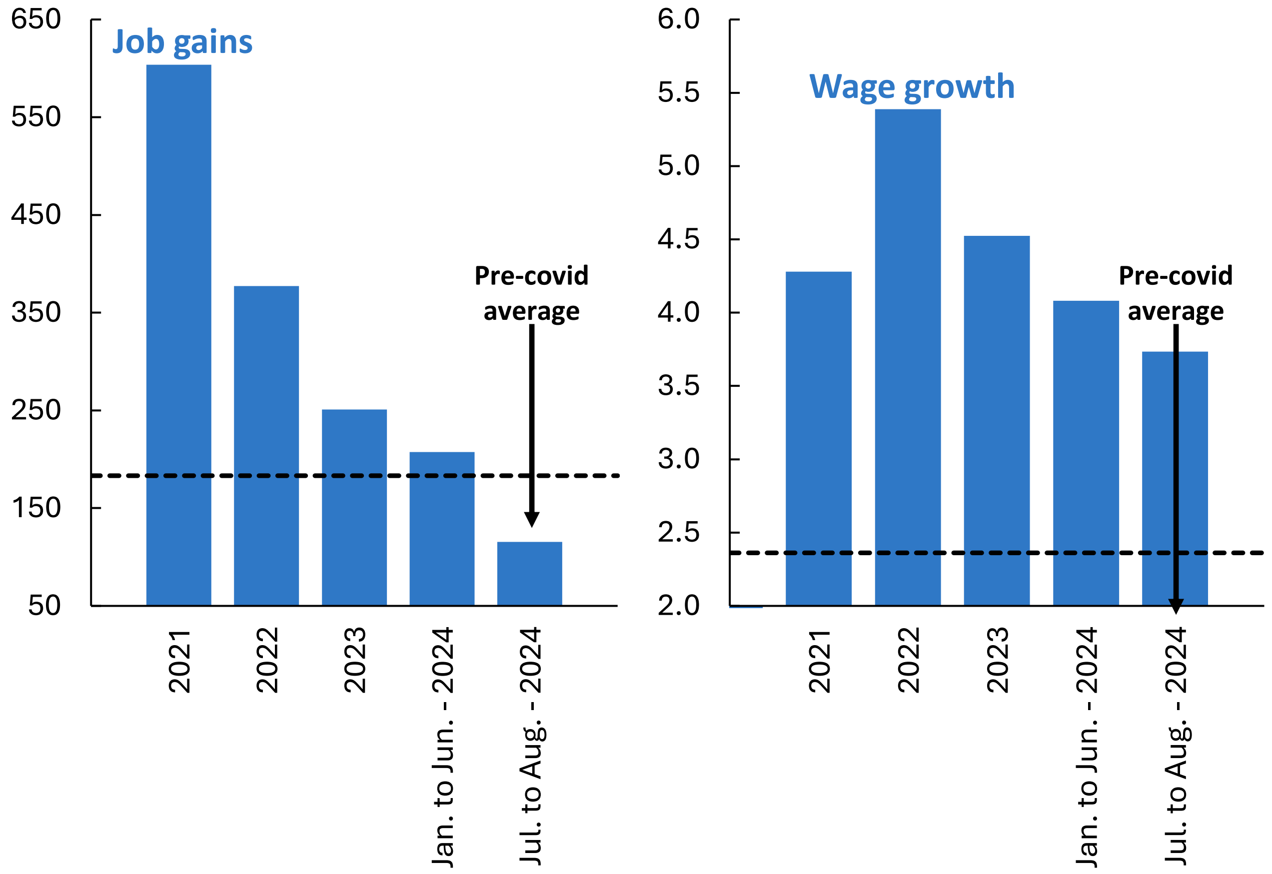
COUNTRY OUTLOOKS

United States

Prince Owusu, senior economist

Slowing labour market will lead to more interest rate cuts

LHS: Thousands of jobs; RHS: Year-over-year wage growth (%)



The U.S. economy appears to be gliding to a smooth landing as interest rates begin to move downwards from multi-decade highs.

Inflation has finally dipped below the upper limit of the Federal Reserve's (Fed) target range. The labour market has also begun to soften, with the average job gains in the first eight months of the year being the lowest since 2021. The current labour and inflation landscape provided the Fed the confidence it needed to cut interest rates in September.

While the impact of rate cuts on borrowing costs will be gradual, it will provide some breathing room for consumers squeezed by tight credit conditions. We forecast inflation will continue trending down and offset some of the impacts from the weakening labour market on consumption.

With consumption relatively stable, businesses are likely to continue investing in plant expansion and improvements to existing assets due to the government's industrial policies, which are bolstering business incentives. Three recent federal acts (*Inflation Reduction Act, CHIPS & Science Act,* and *Bipartisan Infrastructure Bill*) have ushered in the most ambitious industrial policies of this century and revived America's productivity growth.

Private companies have announced $640 billion in clean energy and manufacturing investments to take advantage of the incentives available under the three recent federal acts.

The economy is expected to advance by 2.5% this year and by a further 1.8% in 2025, but policy changes following the upcoming elections in November could alter the outlook for the economy.

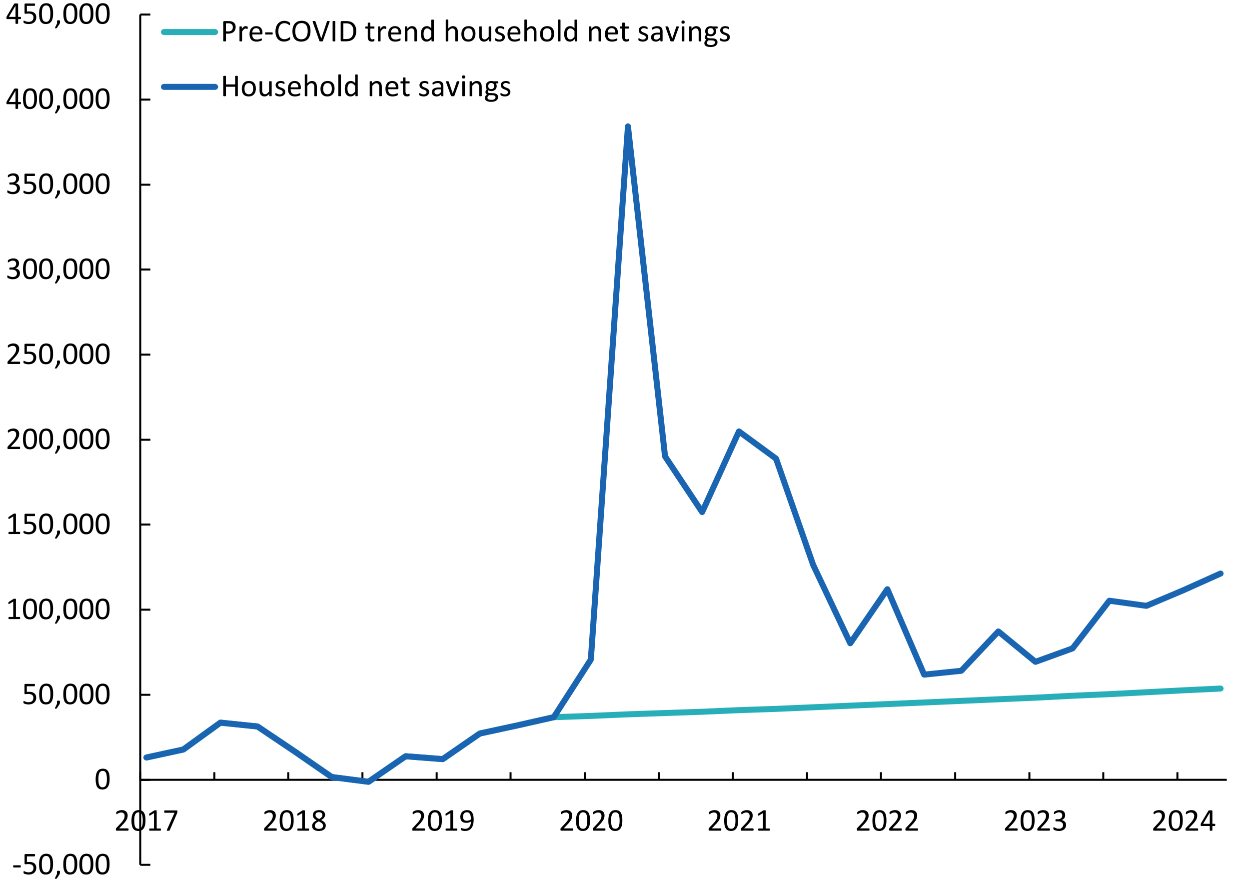
Sources: Haver Analytics, EDC Economics
Note: Pre-COVID average is constructed using January 2010 to December 2019 data. RHS = right-hand side. LHS = left-hand side.

Canada

Prince Owusu, senior economist

Caution drives Canadian households to save more

Millions of dollars, seasonally adjusted at annual rate



The Canadian economy is set for a soft landing as interest rates and inflation ease.

Headline inflation continues to trend down and has fallen well within the Bank of Canada’s target range. With inflation easing and the labour market stalling, the Bank of Canada will continue to reduce its target overnight policy rate going into next year. This will gradually provide breathing room for debt-constrained consumers and businesses in order to lift domestic economic activity.

While an expansion of the economy is expected next year, it won’t be enough to absorb the recent growth in the labour supply following significant increases in the level of immigration. Due to this, we forecast that the unemployment rate will remain elevated in 2025.

Government spending has been a key contributor to Canada’s economic performance since the pandemic. This is expected to diminish as a source of growth, due to all levels of the Canadian government engaging in fiscal adjustments or tightening. While domestic demand is expected to be weak this year, the Canadian economy will get a lift from demand from the U.S. as it’s expected to do well over the rest of this year.

With the economy remaining weak, the loonie is expected to average US$0.73 over 2024. In 2025, however, the Canadian dollar average is expected to rise to US$0.74 as the economy recovers.

After last year’s weak performance of 1.2%, gross domestic product (GDP) is forecast to advance modestly by 1.1% in 2024 before bouncing back to 1.6% in 2025.

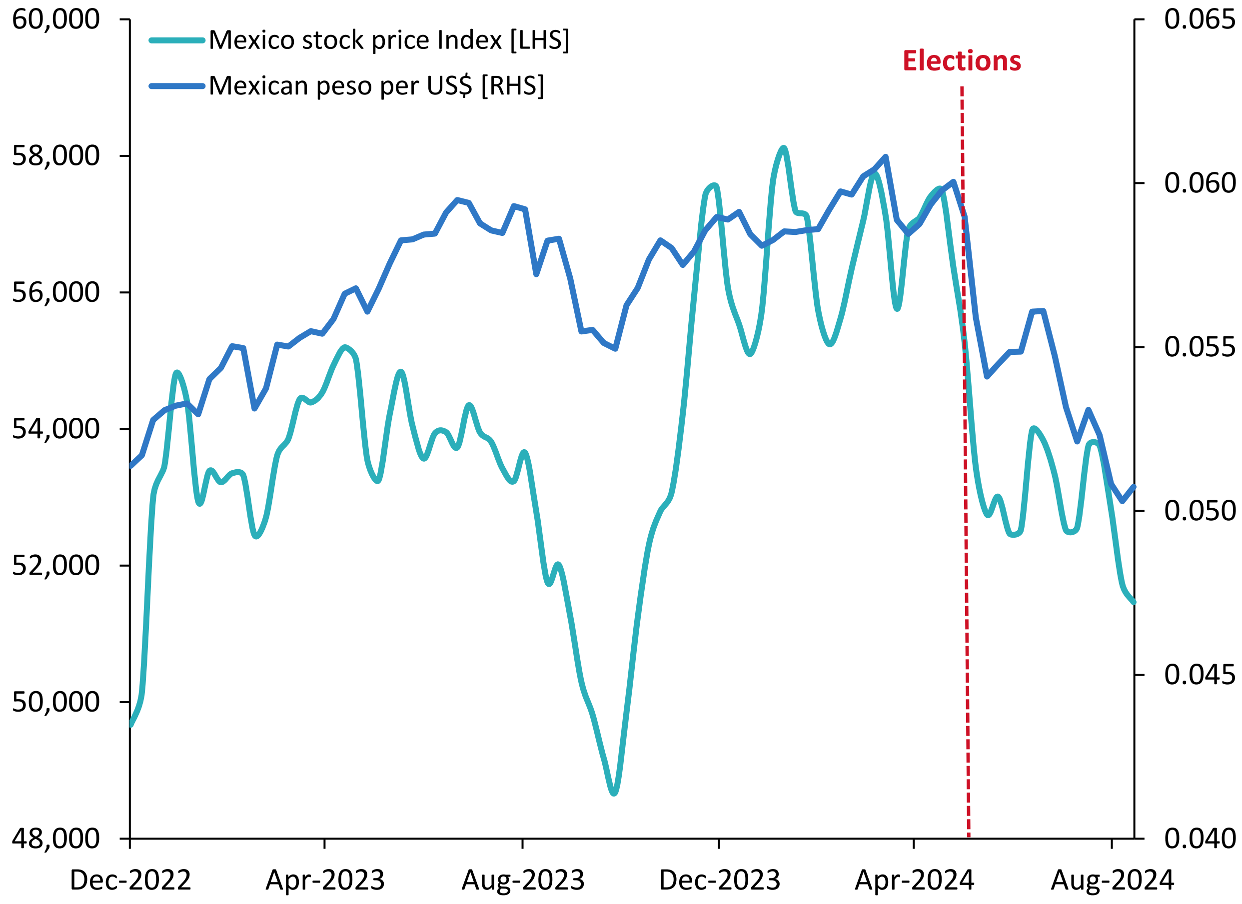
Sources: Haver Analytics, EDC Economics

Mexico

Prince Owusu, senior economist

Mexico’s financial market drops after the June election

LHS: Mexican stock market index IPC; RHS: US$ per Mexican peso



Mexico’s economy has lost steam after expanding strongly for the last three years as consumers and businesses struggle to cope with high interest rates and soaring prices.

After hitting a 20-year high of 8.7% in August 2022, inflation fell to 4.3% in October 2023, but has started to creep higher–hitting 5.6% in July. This wobbly price path has slowed the speed at which the central bank of Mexico (Banxico) is able to reduce borrowing costs. It’s reduced its policy rate by only 50 basis points to 10.75%, leaving commercial bank’s average lending rate at more than 15%, and hitting borrowing capacity. The double whammy of high borrowing costs and inflation have put a damper on consumption and business investment.

Policy uncertainty following June elections is also adding to the paralysis in business investment. Market reactions to the ruling coalition’s gain of near super-majority of Congress has broadly been negative due to their constitutional reform agenda. A bill passed by the new Congress and signed into law now enjoins judges to be elected by popular vote. Opponents of the bill believe it could lead to a significant degradation of governance and rule of law in Mexico—key pillars for attracting business investment.

Businesses are waiting to see the policy direction of the new government before committing to new projects. Investment is expected to slow down from the second half of this year and into the next, dragging on employment growth and subsequently lowering consumer spending.

The momentum from the U.S. economy is expected to provide demand for Mexico’s exports. The peso will continue its slide, but that may support exports of goods and tourism.

Real GDP is forecast to slow down to 1% this year, but will get a modest lift from exports to increase by 1.4% in 2025.

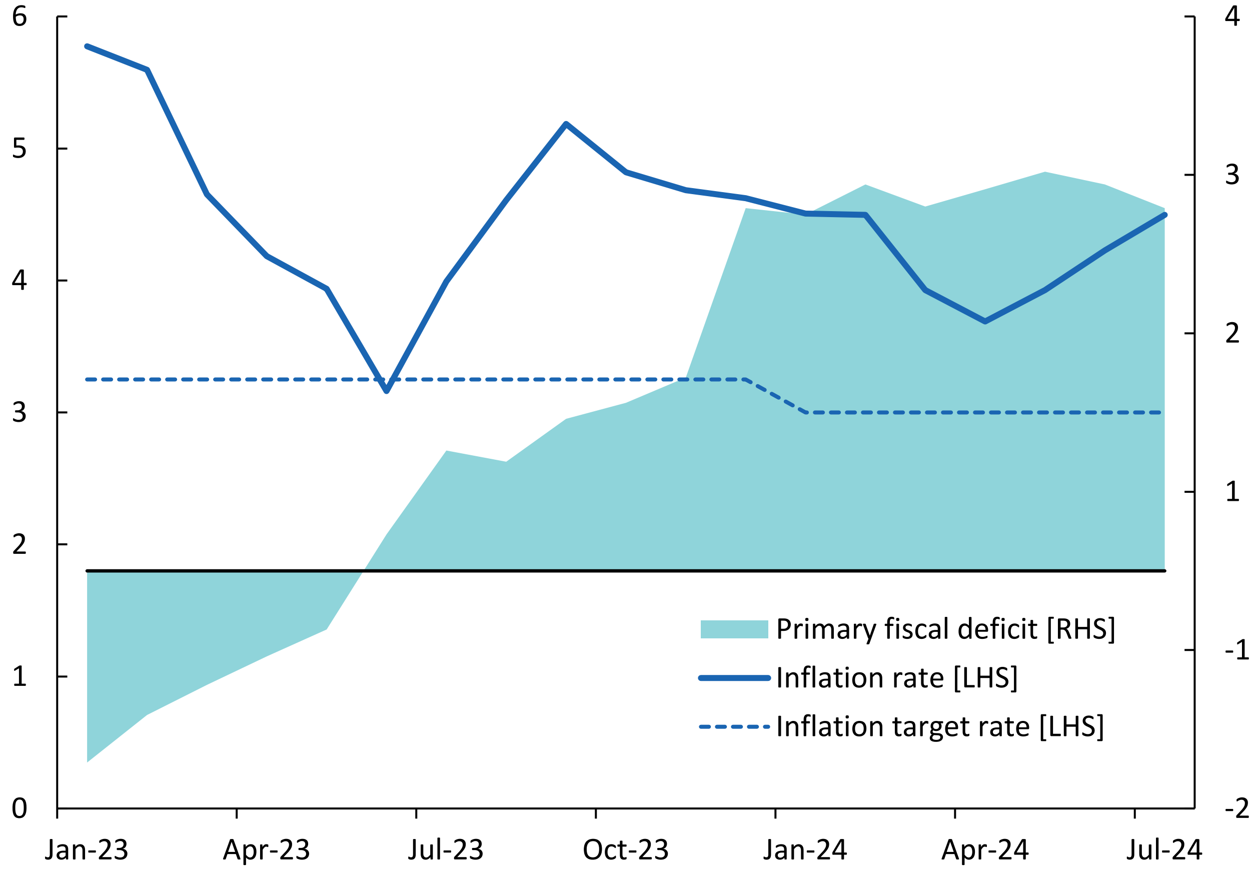
Sources: Haver Analytics, EDC Economics
Note: RHS = right-hand side. LHS = left-hand side.

Brazil

Daniel Benatuil, senior economist

Fiscal and inflation pressures will mean higher-for-longer interest rates

LHS: Percent, RHS: Deficit percentage share of GDP



Brazil's economy continues to defy expectations and is forecast to grow 2.9% in 2024. But this above-potential growth is fuelling inflation pressures amid ongoing fiscal concerns. Growth will slow to 1.7% in 2025, due to a more restrictive policy stance and moderating foreign demand.

The economy has far exceeded expectations during the first half of this year, leading to a substantial upward forecast revision to 2.9% (from 2%). Our outlook, however, is mixed.

The strong growth is undeniably positive. But the economy is running unsustainably hot, and while a tight labour market is positive, consumption spending was also partly lifted by households spending their savings and the government's fiscal largesse beyond the zero-deficit target. Demand is outpacing supply as the economy grows above its potential and the rate of investment remains depressed at just 17% of GDP.

This imbalance is reflected in rising imports and inflation pushing above the central bank’s 3% target. The Brazilian real exchange rate against the U.S. dollar has depreciated significantly and will remain fundamentally undervalued due mainly to fiscal risks. The fiscal and public debt trajectories are deteriorating and will require a more restrictive stance. As well, this above-potential performance by the economy is inflationary and will mean higher-for-longer interest rates. A tighter policy stance will temper domestic demand over the two-year outlook.

Fiscal risk remains central to the outlook amidst political tension around municipal (late-2024) and general (2026) elections. Weak growth in main trading partners (i.e., China, the U.S. and Argentina) is a key external risk to exports.

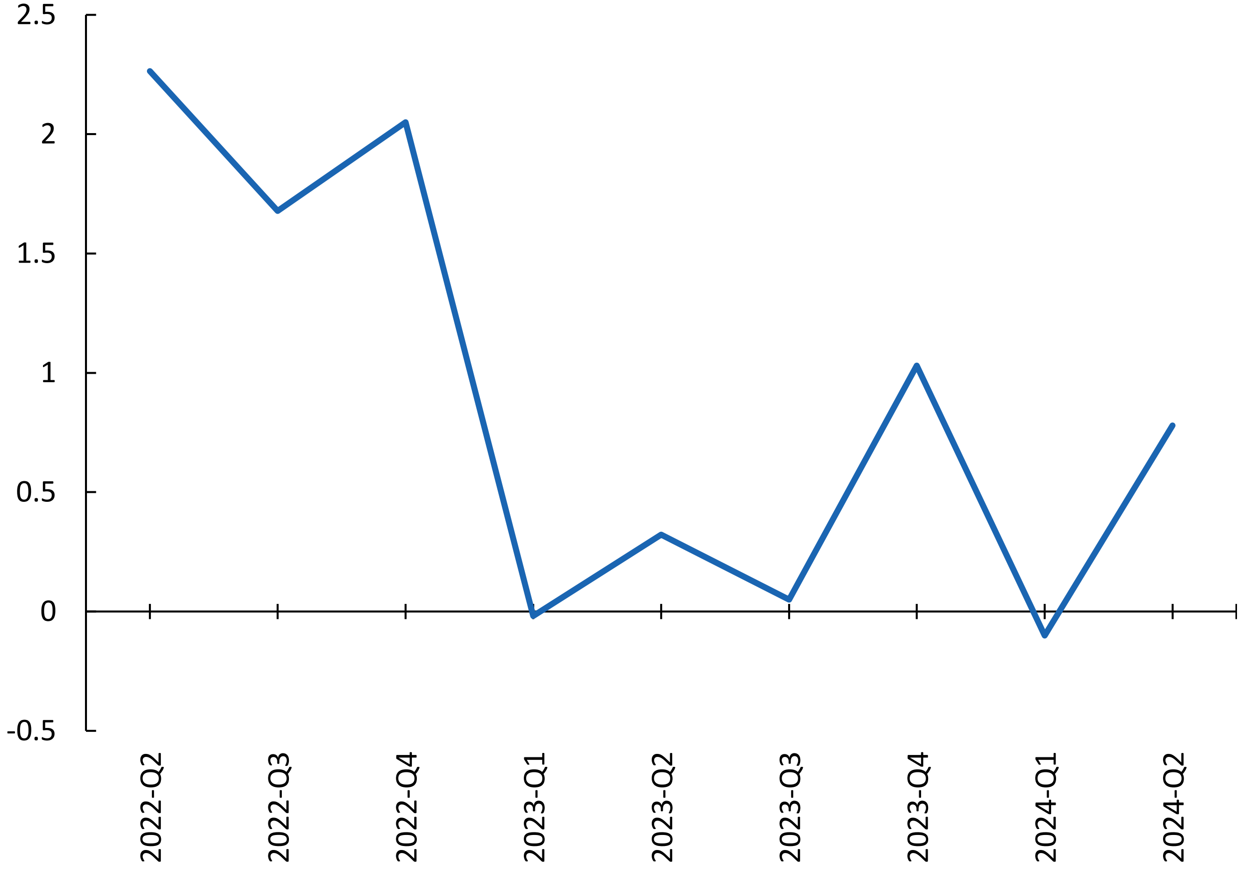
Sources: Brazilian Institute of Geography and Statistics, Central Bank of Brazil, Haver Analytics, EDC Economics
Note: Primary fiscal deficit data are shown as the 12-month accumulated flow.

France

Sanjam Suri, country risk analyst

Corporate credit growth and optimism stoked by improved outlook

Quarter-over-quarter percent growth



The French economy enters the latter half of 2024 following a robust two-year period of consistent quarterly growth since early 2022, despite global tensions and inflationary pressures.

The country's economy benefits structurally from strong consumption and a significant service sector. While the manufacturing sector faces challenges, early indicators suggest businesses are expanding, with the service sector gains are outweighing manufacturing struggles.

With European Central Bank’s rate cuts, borrowing costs are easing, leading to a gradual increase in credit demand among non-financial borrowers.

Private consumption in France remains strong, with a notable spike expected in the third quarter due to the Paris Olympics. Survey data indicates growing optimism among French households about their financial situation over the next year.

But political risks loom, especially as the government operates in a "caretaker mode" following a snap election earlier this year. The European Commission's excessive debt procedures for France mean political parties must make tough decisions, creating significant uncertainty for government spending and public finances in 2025.

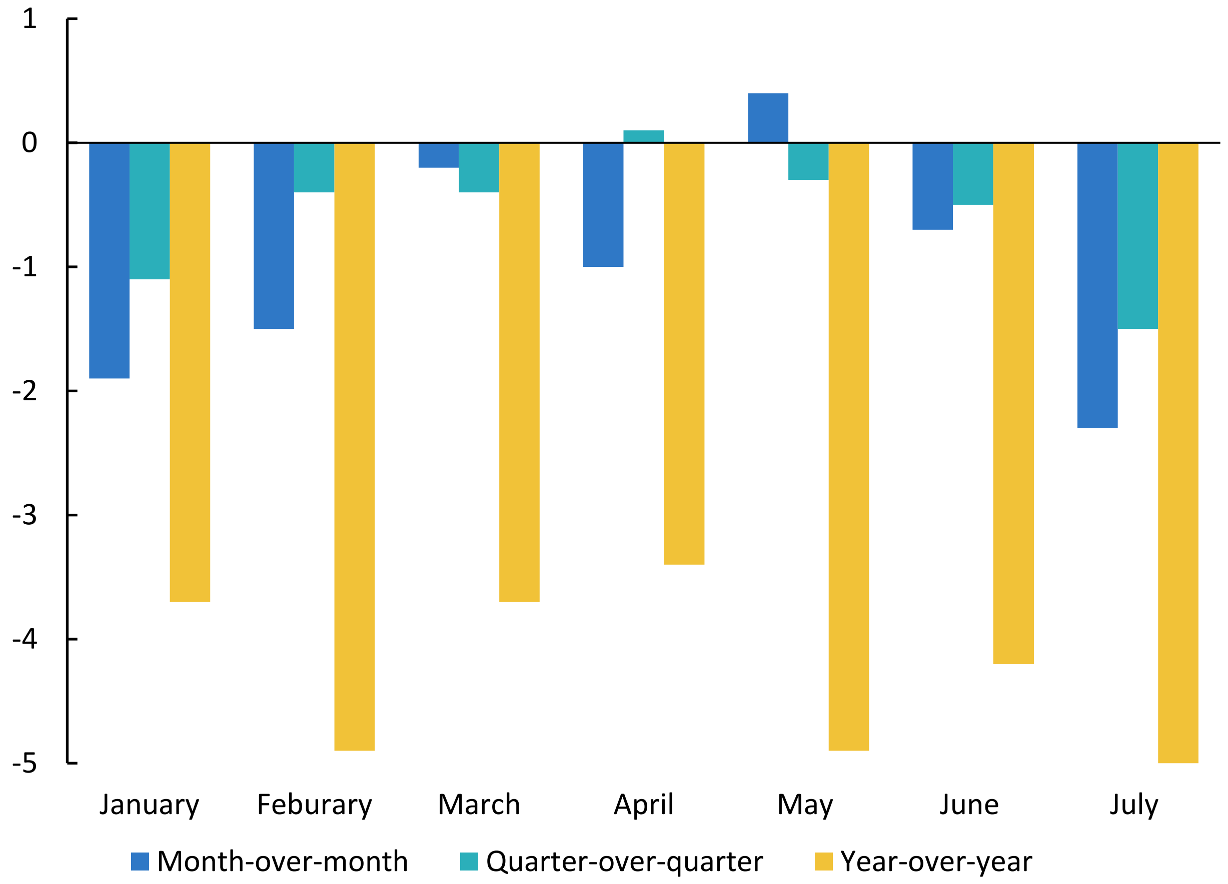
 Sources: Haver Analytics, Agence France Trésor, EDC Economics

Germany

Sanjam Suri, country risk analyst

German factory orders are struggling

Percent change in German factory orders



Germany's economy continues to struggle more than two years after Russia's invasion of Ukraine. It's expected to remain weak in 2024, with an anemic growth rate of 0.1%. German GDP has now declined for four consecutive quarters (year-over-year).

Without government spending, the economy would be in dire shape. Structural factors, like energy security and prices, are impacting investment levels already hampered by record-high interest rates.

A 2% drop in investment levels in the second quarter of this year highlights the weak position of the country's businesses. With an industrial economy dominated by struggling manufacturers, leading demand indicators remain in recessionary territory.

Post-pandemic labour hoarding and employee protection rules have been masking changes in the German labour market for manufacturing jobs. The jobless rate has risen from 4.9% to 6%, and the total number of vacancies is down 9% from the start of 2024—24% from their peak.

The auto industry, which is valued at a staggering 570 billion euros, is struggling, as demonstrated by Volkswagen's announcement that it's "not ruling out" jobs cuts for the first time in the company's 80-year history.

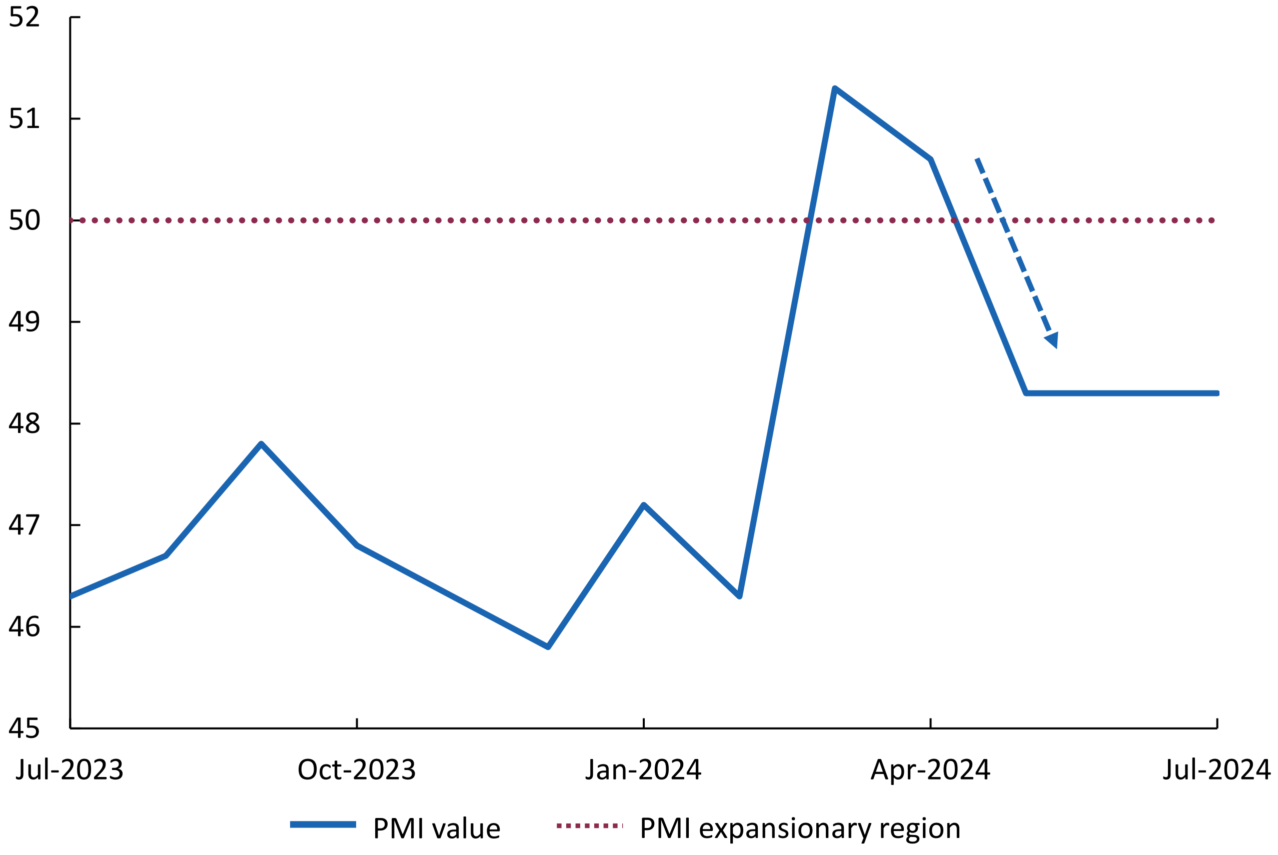
Sources: Haver Analytics, EDC Economics
Note: Factory orders equate to factories sales.

China

Susanna Campagna, economic principal

Uncertain export outlook heading into the rest of 2024

PMI: Manufacturing new export orders; seasonally adjusted



Persistently weak consumer confidence, due to ongoing real estate market and wage growth concerns, continue to hold back consumption demand, which is making it increasingly more challenging for China to hit its 2024 5% GDP growth target.

While a positive export performance has been a bright spot for China, its continued sustainability remains in doubt. We've revised our GDP forecast for 2024 from 5% to 4.8%, on the view that exports are likely to decelerate by end of year. Our 2025 forecast remains unchanged at 4.5%.

In the first quarter of 2024, we saw exports pick up, industrial profits grow and the *Purchasing Managers' Index* (PMI) data for new export orders finally move into expansionary territory—following a year of contraction. While August export data show exports are still strong, the PMI on new export orders has moved back into contraction and the rate of expansion of the country's industrial output is slowing—underlining our concerns that export growth is likely to slow in the second half of the year.

We expect China will continue to focus on its advanced manufacturing and technology sectors while tackling the oversupply issue. But this will be made more complicated by a growing number of tariffs by various countries against these sectors.

Upside risks to our forecast include faster and deeper than expected government stimulus measures to support stronger consumption and economic growth.

Key downside risks include any spillover from the property sector crisis into the financial sector, or an escalation of geopolitical tensions with the U.S.

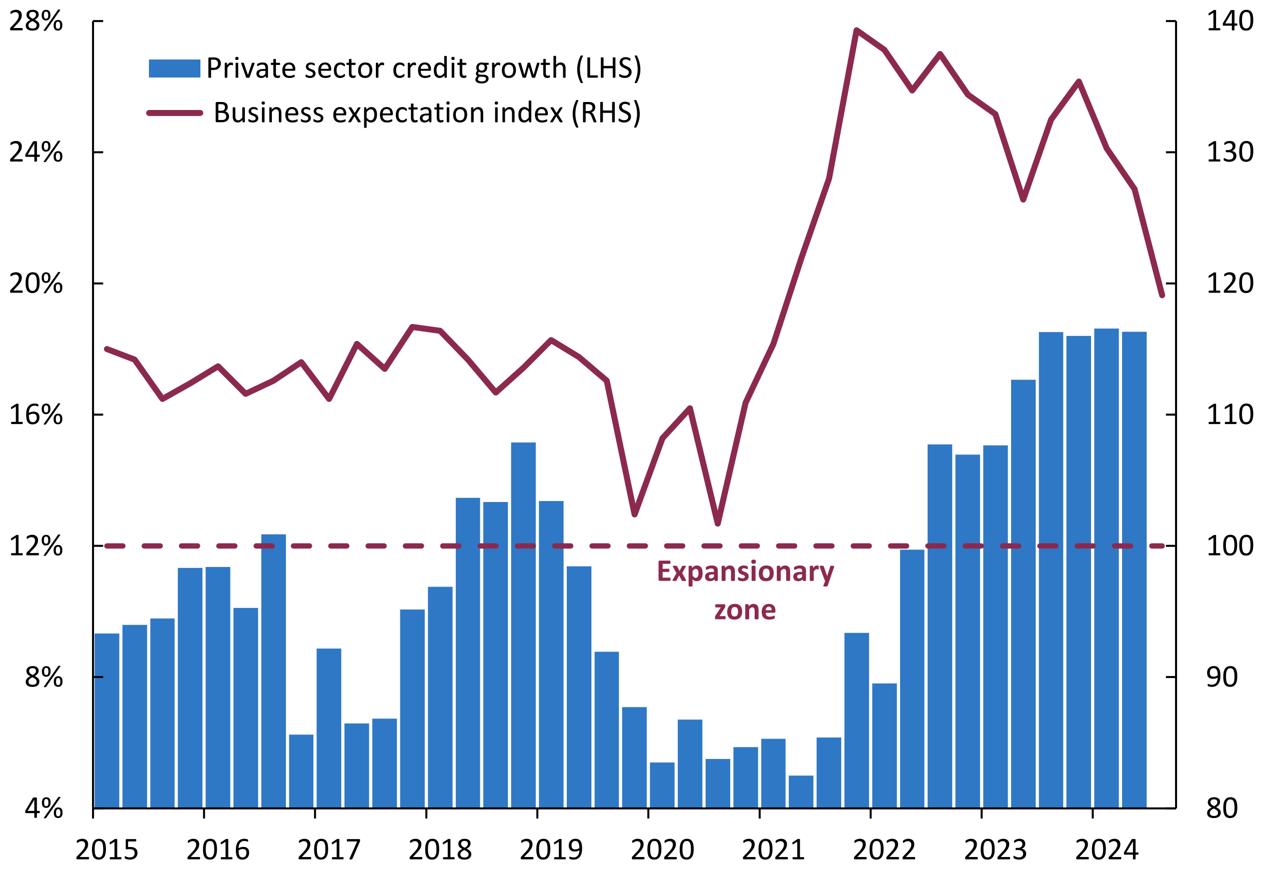
Source: Haver Analytics
Note: PMI=Purchasing Managers' Index; PMI above 50 indicates expansionary outlook.

India

Nadeem Rizwan, country risk analyst

Private investment is expected to remain steady but subdued.

Year-over-year private sector credit growth (%), NSA; Business expectation index (100+= expansion)



The growth outlook in India remains positive with robust consumption, resilient investment and stable government spending. EDC Economics marginally downgraded its growth forecasts to 6.6% for 2024 and 7.1% for 2025, primarily due to the recent slowdown in observed growth.

India's GDP growth decelerated in the first quarter of the 2025 fiscal year (i.e., quarter two of 2024), due to a slowdown in government spending related to election restrictions and weak exports. Extreme heat also hampered economic activity. Strong consumption and steady private investment were the main drivers of growth in this period.

Moderating inflation and a positively timed monsoon (which improves the agriculture outlook) will continue to support urban and rural demand. Investment is expected to remain moderate, with tight financial conditions weighing on investment decisions.

Public spending on infrastructure is expected to increase and attract private investment. Strong revenue performance will support the attainment of fiscal targets. The recovery in exports is expected to be gradual as global demand recovers slowly.

Extreme weather events hampering agriculture, rising geopolitical tensions and regional instability are some downside risks. Conversely, a faster-than-expected global recovery could further boost growth through better-than-expected export performance.

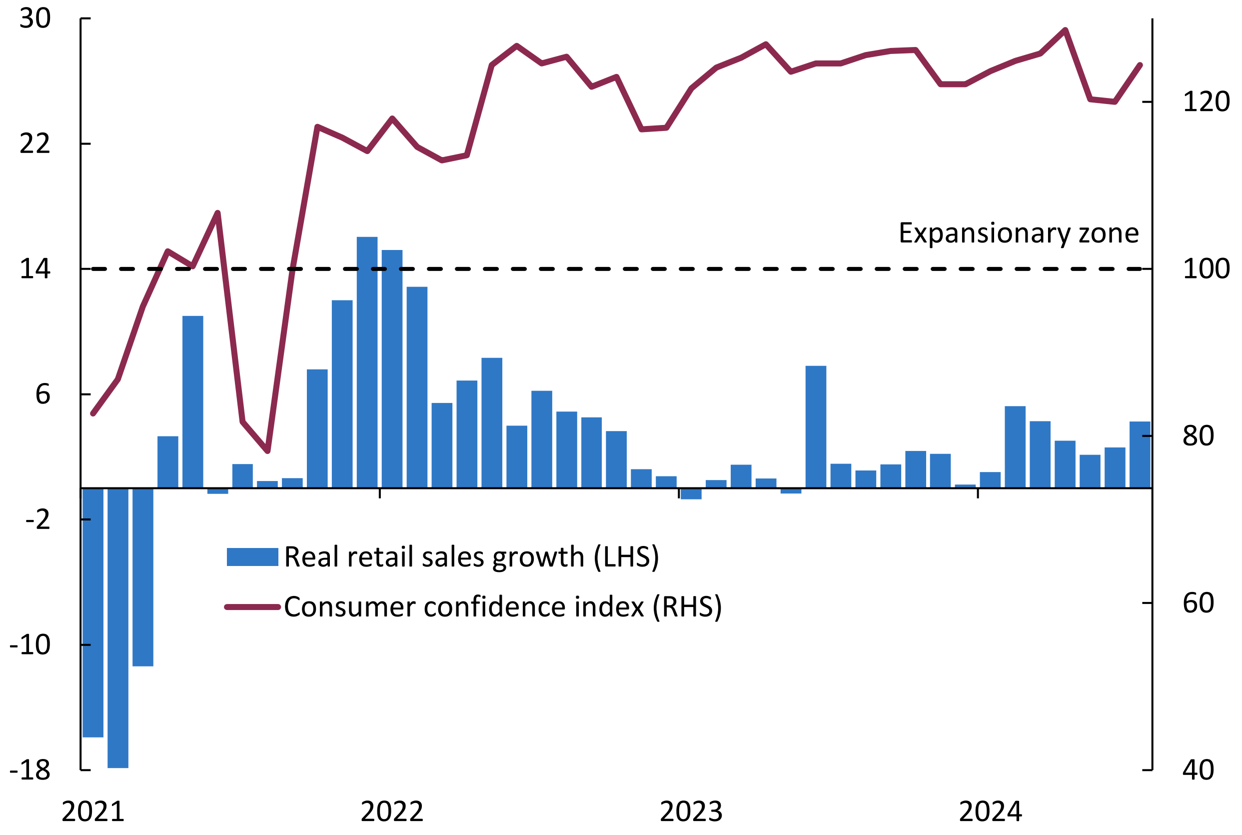
Sources: Reserve Bank of India, Haver Analytics
Note: India growth rates are based on fiscal year data (e.g., 2024 FY = Q2 2023 – Q1 2024, 2025 FY = Q2 2024 – Q1 2025). NSA = not seasonally adjusted.

Indonesia

Nadeem Rizwan, country risk analyst

Strong consumer confidence is expected to keep consumption steady

Consumer confidence index (100+=increasing); Year-over-year retail sales growth (%)



Growth in Indonesia is expected to remain steady in 2024 with stable consumption and government spending. EDC Economics has marginally revised its 2024 forecast upwards to 5.2% and its 2025 forecast downwards to 5.3%.

Indonesia's economy in the second quarter of 2024 showed steady growth, primarily driven by consumption and investment. After a slowdown in the first quarter, investment provided the highest contribution to growth in the second quarter, while contribution of government spending declined (as expected) as a one-off, election-related spending boost dissipated.

Strong consumer confidence and moderating inflation are anticipated to sustain consumption. Investment may gain momentum with deceased policy uncertainty post-election and if the monetary policy is loosened (forecasted to align with U.S. Federal Reserve rate cuts).

Government spending is expected to remain consistent with the new administration taking over and focusing on social programs and infrastructure projects. While exports are benefiting from stable commodity prices and rising external demand, a potential slowdown in China could hinder export growth.

The intensification of geopolitical uncertainty poses a downside risk to trade prospects, while a stronger-than-expected global recovery could provide a positive boost.

Sources: Bank Sentral Republik Indonesia, Haver Analytics
Note: All data seasonally adjusted

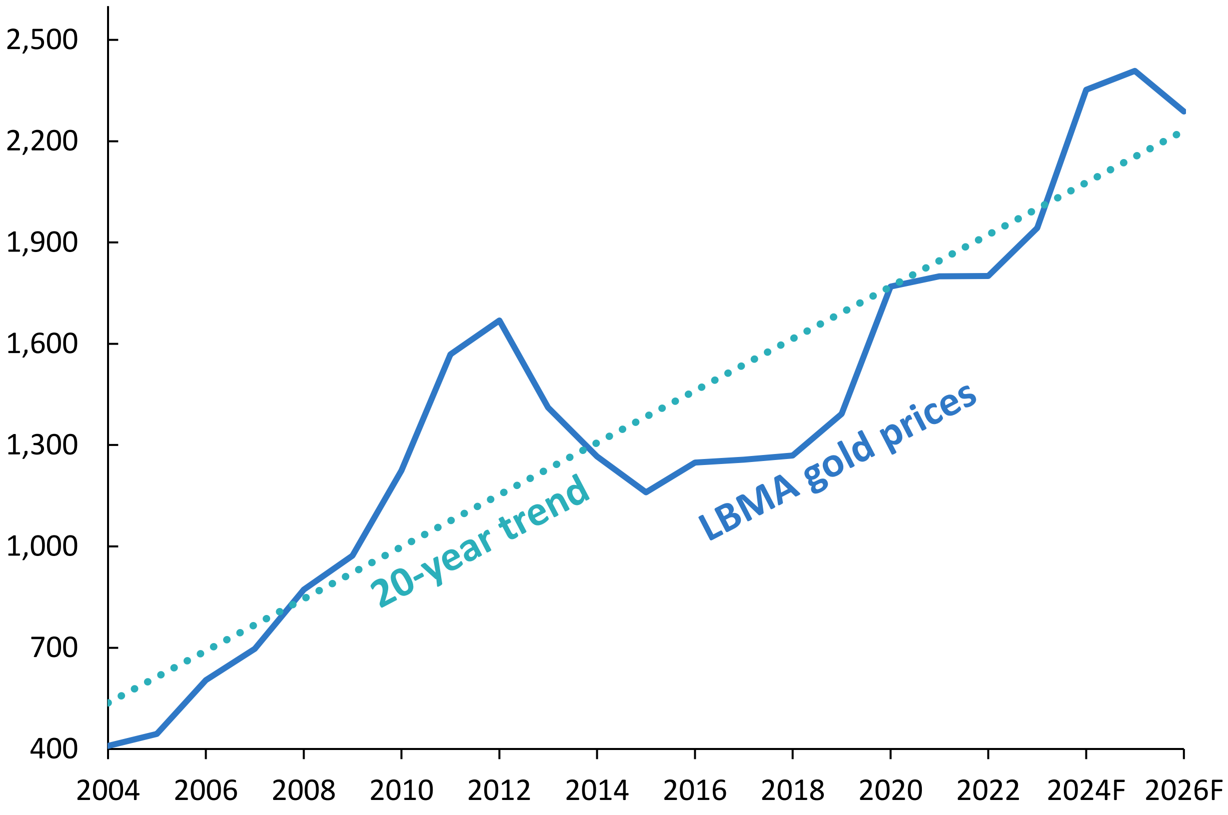
COMMODITY OUTLOOKS

Gold

Karicia Quiroz, economist

Gold prices reach record highs due to uncertainties and speculation

US$ per troy ounce



Gold continues to see record high prices this year, due to uncertainties in the upcoming U.S. election, speculation on interest rates and current geopolitical tensions. Our forecast is that gold prices will average to US$2,352 per troy ounce in 2024, and US$2,408 per troy ounce in 2025.

Both July and August were the highest months on record for gold prices, driven by uncertainties with the U.S. election and investor speculation on upcoming interest rate cuts from the U.S. Federal Reserve (Fed). Based on the assumption that the Fed will carry out two rate cuts this fall, we expect the gold price to rise in the second half of this year. We expect more gold trading activity given the upcoming rate cuts (as the gold price tends to have a negative relationship with the interest rate), which will boost gold demand. Ongoing geopolitical tensions will continue to bring up the gold price, with an expected increase in gold demand from central banks looking to use gold as a hedge and for its performance during times of crisis.

In 2025, we expect larger gold mined output given the high gold price, and central banks' gold demand to cool off amidst a more stable geopolitical climate. This will ease the gold price and bring up jewelry demand. We expect the gold price to marginally increase in 2025 and to decrease in 2026, given expected oversupply in gold and the beginning of a price correction.

Upside risks to the baseline forecast include higher geopolitical risks and delays in gold production. Downside risks include a stronger economic outlook and easing in the pace and extent of the Fed's interest rate cuts.

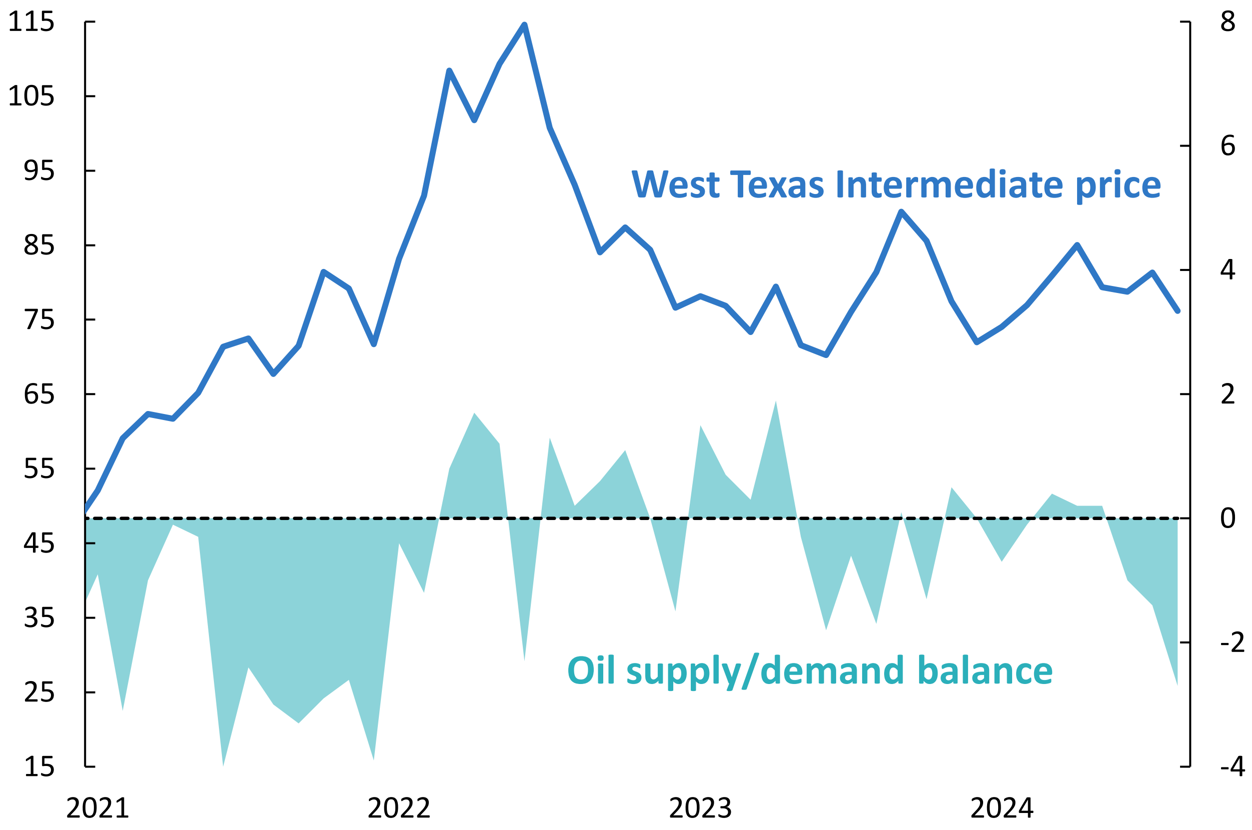
Sources: Haver Analytics, EDC Economics.
Note: LBMA = London Bullion Market Association

Oil

Zhenzhen Ye, country risk analyst

Oil price steady despite geopolitical uncertainty

LHS: US$ per barrel; RHS: million barrels per day



Entering the second half of 2024, West Texas Intermediate (WTI) has faced headwinds from pessimistic market sentiments. But prices are expected to be modestly supported by an oil supply deficit for the rest of 2024.

In July, the oil market was disappointed by China's third plenum, which lacked significant economic stimulus measures that could have supported demand growth. Early in September, WTI hit a nine-month low due to signs of rival governments reaching a deal to resolve a dispute that had restricted Libyan crude production and exports.

In the short term, oil prices are expected to remain volatile due to rising geopolitical risks, downward pressures from China's slow growth and OPEC+'s (Organization of the Petroleum Exporting Countries and allies) ample spare capacity, which could eventually return to full production.

In the medium and long term, a recalibration of post-pandemic demand and global energy transition are expected to keep adding downward pressure to global demand and bring oil prices close to long-term targets.

Upside risks include larger-than-expected U.S. Federal Reserve rate cuts and stronger-than-expected economic growth in China. Conversely, increased production by OPEC+ to gain market share could slash oil prices.

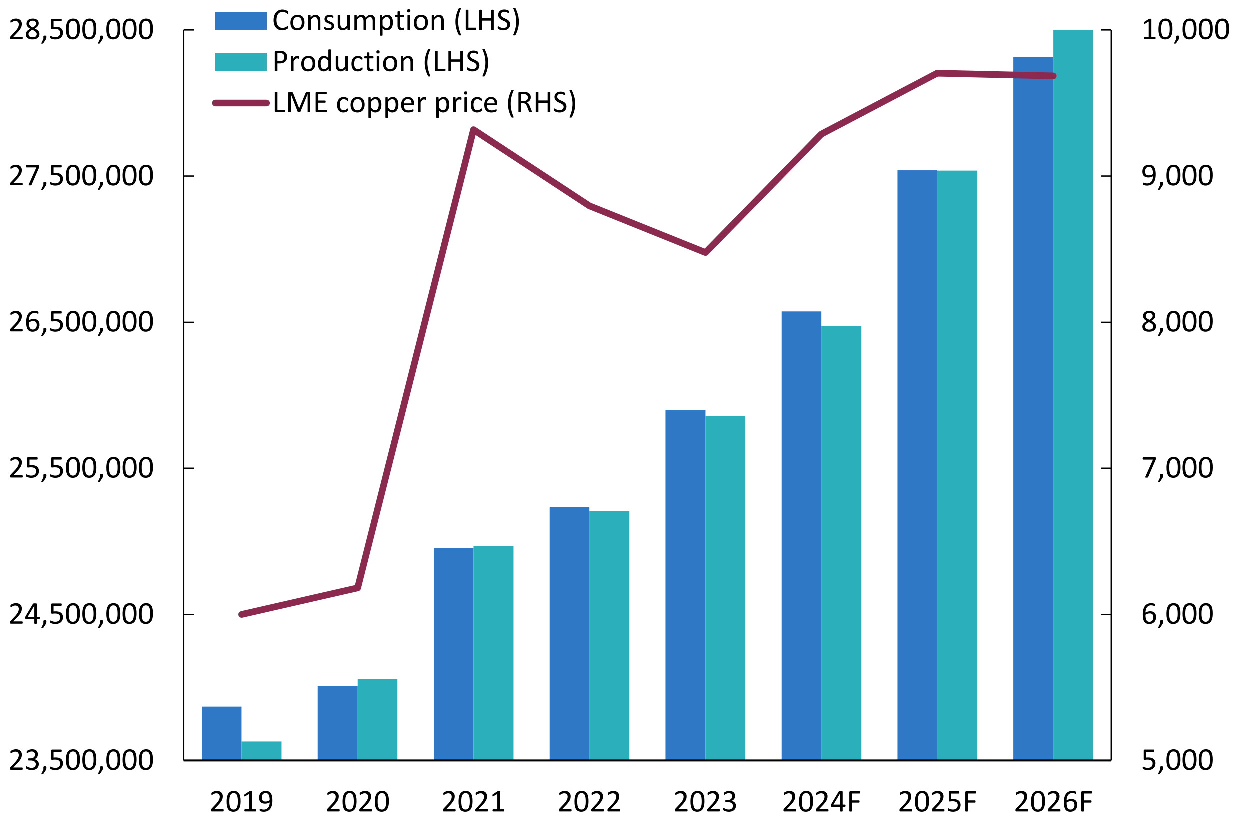
 Source: Haver Analytics

Copper

Karicia Quiroz, economist

Weaker Chinese demand has cooled copper price momentum

Tonnes of global refined copper; US$ per metric tonne



Sources: Wood Mackenzie, Haver Analytics, EDC Economics.
Note: LME = London Metal Exchange

The copper price has begun to cool down in the second half of this year, given China's weaker demand. But prices are still expected to rise overall, given supply tightness and global demand. We expect the copper price to average US$9,287 per tonne in 2024, and US$9,704 per tonne in 2025.

The Chinese property market slowdown has led to weaker consumption growth and overcapacity in China (the world's largest consumer of copper), which is driving down copper prices in the second half of 2024.

But with two expected Federal Reserve interest rate cuts this fall, this will bring down borrowing costs and support key copper sectors (especially construction and manufacturing). Lower interest rates would help reduce the costs of carrying and storing copper inventories, and with tight copper supply, this would ultimately bring up the 2024 copper price.

We expect growing demand for copper in 2025, although it will be moderated by slower electric vehicle (EV) adoption and China's weaker copper consumption. Policies, like the U.S. *Inflation Reduction Act,* will also support U.S. investment in sectors that require copper inputs, including renewables. Based on planned mine production, we expect copper supply to remain tight in 2025, but become a surplus by 2026 due to expected copper project ramp-ups, particularly in Chile, looking to benefit from previously higher copper prices. We forecast that the copper price will increase by 4.5% in 2025 year-on-year (YOY) and decrease by 0.2% YOY in 2026.

Upside risks include lower output from planned copper projects and a rapid Chinese economic recovery. Downside risks include slower EV adoption and further EV production delays.

EDC FORECASTS

Annual real GDP growth

Global Economic Outlook (Annual % change)	**2023**	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Developed countries	**1.6**	**1.7**	**1.7**	**1.9**	**1.8**	**1.7**
Canada	1.2	1.1	1.6	1.8	2.3	2.4
United States	2.5	2.5	1.8	2	2.1	2.1
Eurozone	0.5	0.8	1.4	1.6	1.5	1.4
Germany	-0.1	0.1	1.2	1.6	1.4	1.4
France	1.1	1.2	1.1	1.4	1.7	1.6
Developing countries	**4.3**	**4.2**	**4.4**	**4.3**	**3.9**	**3.8**
China	5.2	4.8	4.5	4.3	3.7	3.6
India	8.2	6.6	7.1	6.7	7.1	6.7
Indonesia	5	5.2	5.3	5.1	4.8	4.5
Brazil	2.9	2.9	1.7	1.8	1.6	1.6
Mexico	3.2	1	1.4	2	2.2	2.3
World	**3.2**	**3.2**	**3.3**	**3.3**	**3.1**	**3.0**

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		2023	2024F	2025F	2026F	2027F	2028F
Currencies	**Exchange rate**						
U.S. dollar	USD per CAD	$0.74	$0.73	$0.74	$0.78	$0.81	$0.82
Euro	USD per EUR	$1.08	$1.09	$1.11	$1.12	$1.14	$1.17
Euro	CAD per EUR	$1.46	$1.49	$1.49	$1.43	$1.41	$1.43
Interest rates, annual average							
Bank of Canada *(Overnight target rate)*		4.74	4.61	3.30	2.75	2.75	2.75
U.S. Federal Reserve *(Fed funds target rate – Mid-point)*		5.07	5.29	4.46	3.46	2.68	2.63
European Central Bank *(Policy interest rate)*		3.81	4.27	2.96	1.77	1.75	1.75

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

Commodity prices

Global Economic Outlook	2023	2024F	2025F	2026F	2027F	2028F
Brent Crude Spot, *USD/barrel (bbl)*	$82.5	$81.6	$75.8	$72.6	$71.3	$71.3
West Texas Intermediate, *USD/bbl*	$77.6	$77.9	$71.4	$68	$67.7	$67.8
Western Canada Select, *USD/bbl*	$59.5	$62.9	$60.1	$57	$55.7	$55.8
Natural gas, *USD/MMBtu*	$2.5	$2.2	$2.9	$3.2	$3.4	$3.5
Gold, *USD/troy ounce*	$1,943	$2,352	$2,408	$2,288	$2,214	$2,124
Copper, *USD/tonne*	$8,476	$9,287	$9,704	$9,686	$9,802	$9,934

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

Disclosure

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