

WEEKLY COMMENTARY

When You Come to a Fork in the Road, Take It

By Randall Bartlett, Deputy Chief Economist

The unpredictability of US economic policy under the Trump administration has led to extreme volatility in financial markets and heightened uncertainty among households and businesses. Despite the 90-day reprieve from “reciprocal” US tariffs except for an across-the-board 10% duty on all goods imported to the US, America’s largest trading partners aren’t out of the woods yet. In the ever-escalating tit-for-tat trade war between the US and China, US imports of Chinese goods are now hit with a 145% tariff (except for select electronics temporarily). Chinese authorities have responded in kind. That’s going to disproportionately hurt America’s most successful companies, and it’s showing up in their valuations. These tariffs are also going to massively disrupt international trade, exacerbating a global economic slowdown and raising the risk of a worldwide recession originating from the planet’s two largest economies. Commodities have fallen sharply on concerns of slower global demand, but this may be just the canary in the coal mine.

So where does that leave Canada in all of this? Unfortunately, it’s left taking economic hits from all sides. First, there’s the 25% US import tariffs on steel, aluminum, select aspects of autos and anything that isn’t USMCA compliant (albeit 10% on energy and potash). Then, there’s the further drag on growth from retaliatory tariffs, the inflationary impact of which is likely to leave the Bank of Canada (BoC) more reluctant than it would be otherwise to cut interest rates as deeply as it has in past recessions. Lower commodity prices will offset some of this inflationary bump, as will the [elimination of the price on pollution](#), although lower oil prices will drag down growth even further. Altogether, this will probably put the investment and hiring plans of businesses on ice for the foreseeable future. The BoC’s Business Outlook Survey indicates as much. All of this

points to a weaker labour market ahead. And when combined with the lower value of household savings in financial assets, this could keep Canadian households on the sidelines when it comes to spending money and buying a home. By definition, Canada’s economy could experience a US-policy-induced recession in the coming quarters—a view corroborated by the Bank of Canada’s most recent Monetary Policy Report.

Canada is at a crossroads. Growth has slowed since oil prices dropped precipitously a decade ago and foreign direct investment dried up as a result. Despite the best of intentions, subsequent policy initiatives to boost investment in things like advanced manufacturing and artificial intelligence didn’t translate into tangible increases in investment, productivity, real GDP per capita or living standards for Canadians.

There is an active conversation about the direction Canada should take when it comes to economic policy. Prominent proposals being discussed include supporting not just small companies in early days of starting up, but also the more mature stage of scaling up. To help do that, [research](#) tells us taxes on capital should probably be lower, not higher. Regulations should be targeted and as minimal as needed to achieve the goals they’re designed to accomplish. This shouldn’t just apply to resource projects, but the barriers to internal trade within Canada and international trade with countries other than the US as well. Public investment should be directed toward tangible investments in trade-supporting infrastructure like roads, rail, ports and airports. It’s even better if some of those can qualify as [defence spending](#) to meet our 2% of GDP NATO target. There should be dramatically more openness to accepting investment from the long-term, stable capital of institutional investors as

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well, particularly Canadian pension funds. At the same time, our immigration system should be open to accepting the most talented people on the planet who want to live and work here. Improving access to affordable housing and skills training to support a more flexible labour force would further enhance Canada's long-run economic potential. And all of this should be accompanied by a credible plan to return to a balanced budget. Creating a growth-friendly environment requires ensuring the fiscal capacity to support social programs and meet demographic challenges.

As Yogi Berra once famously said, "When you come to a fork in the road, take it." The erratic and antagonistic policies of the Trump administration have taken Canada to that fork in the road. We now have no choice but to take it, and should do so in earnest.

What to Watch For

MONDAY April 21 - 10:00

March	m/m
Consensus	-0.4%
Desjardins	-0.7%
February	-0.3%

WEDNESDAY April 23 - 10:00

March	ann. rate
Consensus	683,000
Desjardins	660,000
February	676,000

THURSDAY April 24 - 8:30

March	m/m
Consensus	1.5%
Desjardins	6.0%
February	1.0%

THURSDAY April 24 - 10:00

March	ann. rate
Consensus	4,130,000
Desjardins	4,000,000
February	4,260,000

FRIDAY April 25 - 8:30

February	m/m
Consensus	n/a
Desjardins	-0.4%
January	-0.6%

UNITED STATES

Leading indicator (March) – The leading indicator fell 0.3% in February after a 0.2% slide in January. We're forecasting a much bigger drop in March. The indicator should be dragged down by the stock market contraction (even before April's more violent swings), plummeting consumer confidence and a weaker ISM index.

New home sales (March) – After a rather dramatic decline in January, sales of new single-family homes rose 1.8% in February. However, they were still slightly below the 2024 average. The number of building permits for single family homes, combined with lower mortgage rates, should give March's sales figure a small boost as sales are recorded before construction. As in other sectors, some activity may have been fast tracked to get ahead of the tariffs, since the cost of some building materials may be driven up by the trade war. But it's also worth noting that online searches for new homes perked up last month. Homebuilder confidence remains depressed, however. We expect new single-family home sales to come in at an annualized 660,000 units.

Durable goods orders (March) – Despite a notable drop in nondefense aircraft orders, durable goods orders were up 1.0% in February. We expect to see a substantially larger increase in March. Much of these gains will come from the aviation sector, as Boeing saw a surge in new orders over the month. Motor vehicles will likely post a more timid rise. With the ISM Manufacturing index and industrial production both moving lower in March, we expect growth of just 0.1% from non-transportation orders. All sectors combined, durable goods orders probably advanced 6.0%. But with the uncertainty surrounding tariffs—and attempts to get ahead of the latest announcements—the situation is rather fluid, and March's print may be more volatile than expected.

Existing home sales (March) – While several signs pointed to a decline, existing home sales instead jumped a staggering 4.2% in February. All the same, we do expect a drop in March, even though lower mortgage rates could provide some support. The increase in pending sales is also positive, but their level still suggests a monthly decline in official sales. Preliminary regional data also shows that resales are pulling back.

CANADA

Retail sales (February) – Retail sales probably edged down 0.4% in February, in line with Statistics Canada's flash estimate. After a sharp drop in January, we expect receipts at motor vehicle and parts vendors to have been close to flat in February. We anticipate that nominal sales at gas stations and fuel vendors increased, likely driven by volumes, as seasonally adjusted prices were down month over month. Nominal sales of core retail products—which exclude gasoline and motor vehicles and parts—probably dropped. The slight advance in seasonally adjusted goods prices in the month and any potential uplift from the HST/GST holiday in the first half of February were probably not enough to offset the drag from purchase volumes, as pessimistic consumer sentiment likely prevailed amid trade and economic uncertainty. For March's flash estimate, we expect sales to inch up only slightly. A rebound in auto purchases from prior months should help offset the drag on nominal sales from lower gas prices as well as continued weakness in core retail purchases.

WEDNESDAY April 23 - 4:00

April

Consensus 50.3

March 50.9**OVERSEAS**

Eurozone: Purchasing Managers' Index (April, preliminary) – The Eurozone Composite PMI inched up to 50.9 in March. While the manufacturing index is still below 50, in contraction territory, its 1.0-point gain in March was its third increase in a row. However, the economic and financial environment remains rather unfavourable to the manufacturing sector. First, global trade may be pushed down by the ongoing trade war and the erratic nature of the policies being announced from the White House. Second, energy costs in Europe are still high, which is weighing on energy-intensive industries like aluminum and steel. And finally, our growth outlooks for the [eurozone's real GDP](#) are modest for 2025. Europe's rearmament could potentially give the manufacturing sector a boost, but this will be more visible in the medium term. April's print could reflect the same pull-forward in economic activity that we've observed in China and Canada, with the continent rushing to beat US tariffs. But in the months ahead, the consequences of the US administration's protectionist stance may be more bitterly felt.

Economic Indicators

Week of April 21 to 25, 2025


Date	Time	Indicator	Period	Consensus		Previous reading
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UNITED STATES

MONDAY 21	10:00	Leading indicator (m/m)	March	-0.4%	-0.7%	-0.3%
TUESDAY 22	9:00	Speech by Federal Reserve Vice Chair P. Jefferson				
	9:30	Speech by Federal Reserve Bank of Philadelphia President P. Harker				
WEDNESDAY 23	9:00	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	9:30	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
	10:00	New home sales (ann. rate)	March	683,000	660,000	676,000
	14:00	Release of the Beige Book				
	18:30	Speech by Federal Reserve Bank of Cleveland President B. Hammack				
THURSDAY 24	8:30	Initial unemployment claims	April 14–18	n/a	222,000	215,000
	8:30	Durable goods orders (m/m)	March	1.5%	6.0%	1.0%
	10:00	Existing home sales (ann. rate)	March	4,130,000	4,000,000	4,260,000
FRIDAY 25	10:00	University of Michigan consumer sentiment index – final	April	n/a	50.8	50.8

CANADA

MONDAY 21	---	---				
TUESDAY 22	8:30	Industrial product price index (m/m)	March	n/a	0.2%	0.4%
	8:30	Raw materials price index (m/m)	March	n/a	0.1%	0.3%
WEDNESDAY 23	---	---				
THURSDAY 24	---	---				
FRIDAY 25	8:30	Retail sales				
		Total (m/m)	Feb.	n/a	-0.4%	-0.6%
		Excluding automobiles (m/m)	Feb.	n/a	-0.4%	0.2%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of April 21 to 25, 2025

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
MONDAY 21							
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TUESDAY 22							
Eurozone	10:00	Consumer confidence – preliminary	April	-15.1		-14.5	
Japan	20:30	Composite PMI – preliminary	April	n/a		48.9	
Japan	20:30	Manufacturing PMI – preliminary	April	n/a		48.4	
Japan	20:30	Services PMI – preliminary	April	n/a		50.0	
WEDNESDAY 23							
Japan	0:30	Tertiary Industry Activity Index	Feb.	0.4%		-0.3%	
France	3:15	Composite PMI – preliminary	April	47.5		48.0	
France	3:15	Manufacturing PMI – preliminary	April	47.6		48.5	
France	3:15	Services PMI – preliminary	April	47.5		47.9	
Germany	3:30	Composite PMI – preliminary	April	50.6		51.3	
Germany	3:30	Manufacturing PMI – preliminary	April	47.6		48.3	
Germany	3:30	Services PMI – preliminary	April	50.3		50.9	
Eurozone	4:00	Composite PMI – preliminary	April	50.3		50.9	
Eurozone	4:00	Manufacturing PMI – preliminary	April	47.5		48.6	
Eurozone	4:00	Services PMI – preliminary	April	50.3		51.0	
United Kingdom	4:30	Composite PMI – preliminary	April	50.6		51.5	
United Kingdom	4:30	Manufacturing PMI – preliminary	April	44.4		44.9	
United Kingdom	4:30	Services PMI – preliminary	April	51.6		52.5	
Eurozone	5:00	Trade balance (€B)	Feb.	15.0		14.0	
Eurozone	5:00	Construction	Feb.	n/a	n/a	0.2%	0.0%
THURSDAY 24							
France	2:45	Consumer confidence	April	91		92	
Germany	4:00	ifo Business Climate Index	April	85.2		86.7	
Germany	4:00	ifo Current Assessment Index	April	85.4		85.7	
Germany	4:00	ifo Expectations Index	April	85.0		87.7	
United Kingdom	19:01	Consumer confidence	April	-21		-19	
FRIDAY 25							
United Kingdom	2:00	Retail sales	March	-0.7%	2.0%	1.0%	2.2%
France	2:45	Business confidence	April	96		97	
France	2:45	Production outlook	April	-14		-12	
Russia	6:30	Bank of Russia meeting	April	21.00%		21.00%	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Times shown are Eastern Daylight Time (GMT -4 hours).