

Global Economic Outlook

Global economy under pressure: Energy shocks and geopolitical risk return

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

EDC Economics
April 2026

Canada

 EDC



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Executive summary

Global economy under pressure: Energy shocks and geopolitical risk return

Stuart Bergman

Vice-president and chief economist

After a turbulent 2025 marked by volatile trade conditions and elevated uncertainty, the global economy entered 2026 with signs of resilience. Growth improved and inflation eased. While tariffs continued to weigh on activity, many businesses became more adept at managing the disruption, restoring a measure of stability. Our winter 2026 Global Economic Outlook (GEO) expected trade to persevere and growth to endure, supported in part by a jump in capital spending on artificial intelligence (AI) and strong equity markets.

Three months later, that resilience is being tested in the spring outlook. With Russia's war on Ukraine entering its fourth year, geopolitical risks intensified across multiple fronts. The United States signalled intentions to expand its strategic presence in territory belonging to a North Atlantic Treaty Organization (NATO) ally. China carried out large-scale military exercises in the Taiwan Strait. The U.S. launched a major military operation in Venezuela. Then, on Feb. 27, the U.S.—working alongside Israel—began large-scale air and missile strikes on Iran. The move sparked a high-intensity war in the Middle East, disrupting shipping through the Strait of Hormuz and halting nearly one-fifth of global oil and liquefied natural gas (LNG) flows. The Strait is also a vital route for chemicals, metals and fertilizers, adding disruption risks for supply chains tied to agriculture and semiconductors.

West Texas Intermediate crude oil prices surged from around US\$60 per barrel to nearly US\$100 per barrel—the sharpest spike since Russia invaded Ukraine in 2022. Our base-case outlook, reflecting developments through March 16, assumes oil prices remain elevated into the summer. As the conflict and related shipping challenges deescalate, we expect prices to fall and global oil balances to return to surplus,

Bringing average oil prices to about US\$70 per barrel in 2026 and US\$61 per barrel in 2027. Risks to our forecast are weighted to the downside, reflecting unusually high uncertainty. A prolonged closure of the Strait could have non-linear effects on crude oil prices, with disruptions persisting beyond the end of direct hostilities if extraction and refining infrastructure is damaged.

Tariff uncertainty persists despite limits on emergency powers

Overshadowed by the war in the Middle East, a U.S. Supreme Court ruling against the use of the International Emergency Economic Powers Act (IEEPA) to justify tariffs was another critical development. While the decision leaves in place tariffs under Sections 122 and 301 of the Trade Act of 1974, as well as those under Section 232 of the Trade Expansion Act of 1962, it changes how the U.S. administration can use tariffs. We continue to expect the U.S. to rely on these and other policy tools to apply tariff pressure across countries and sectors, including steel and aluminium, copper and automotive products. However, the ruling should limit arbitrary adjustments to tariff calculations over our forecast period.

EDC Economics continues to expect U.S. economic momentum to carry through, despite global headwinds. As a net energy exporter, the U.S. is better positioned than many economies to absorb the current shock. Despite continued softness in the labour market, overall consumer spending is holding up, and unemployment remains low by historical standards. Business investment in infrastructure and data centres continues and should be supported by new tax and spending provisions. We expect the U.S. economy to grow by 2.3% in 2026 and 2.2% in 2027.



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Resilient growth, a weakening labour market and rising inflation risk linked to the Middle East conflict create a difficult backdrop for the U.S. Federal Reserve. We expect the Fed to hold policy steady until the end of 2026, when it's expected to cut the federal funds rate by 25 basis points. A second 25-basis-point cut is expected in early in 2027.

In Canada, the IEEPA ruling is unlikely to materially change the outlook, as sectoral tariffs have had the larger impact on Canadian exporters. These effects are now showing more clearly in the labour market, with tariff-exposed sectors experiencing more pronounced weakness than the rest of the economy. Business investment also continues to struggle. While higher global energy prices will support oil producers, higher commodity prices will weigh on consumers and businesses facing rising input costs. Overall, we expect the Canadian economy to grow 1.3% in 2026 and 1.9% in 2027.

Inflationary pressures in Canada should be partially offset by policy changes such as the removal of the carbon tax. As such, we don't anticipate a change in the Bank of Canada's policy rate this year or next. Alongside a more accommodative U.S. Fed, energy price fluctuations and risks tied to the review of the Canada-United States-Mexico Agreement (CUSMA), we expect the loonie to average about US\$0.74 over the forecast horizon, with considerable intra-period volatility.

The Euro Area faces a more challenging year given its reliance on LNG shipments, which could leave inflationary pressures higher than in North America. The bloc also continues to face a surge in Chinese imports and an uncertain trade relationship with the U.S.

In the runup to France's 2027 presidential election, legislative gridlock and policy paralysis are expected to weigh on business conditions. In Germany, a shift from austerity toward investment-led fiscal expansion and defence spending, together with greater debt-brake flexibility, is expected to support the 2027 outlook. For the Eurozone overall, we expect growth of 1.1% in 2026, rising to 1.5% in 2027.

China's government lowered its growth target to between 4.5% and 5%, reflecting an economy under strain as weak domestic demand continues to be offset by large trade surpluses and rising tensions with trade partners. We forecast overall Chinese growth near the lower end of the target range, at 4.6% in 2026 and 4.5% in 2027.

Bottom line: Global growth outlook hinges on geopolitical stability
We entered 2026 with cautious optimism that a resilient global economy, supported by a stable, if strained, trade backdrop, could move beyond the uncertainty of recent years. A renewed surge in geopolitical volatility is now testing that resilience.

Our base-case forecast calls for global growth of 3.2% in 2026 and 3.3% in 2027. However, risks are clearly tilted to the downside and remain highly sensitive to further disruptions. Under our downside scenario, higher oil and commodity prices would re-accelerate inflation and weaken consumption and investment, with impacts varying by region.

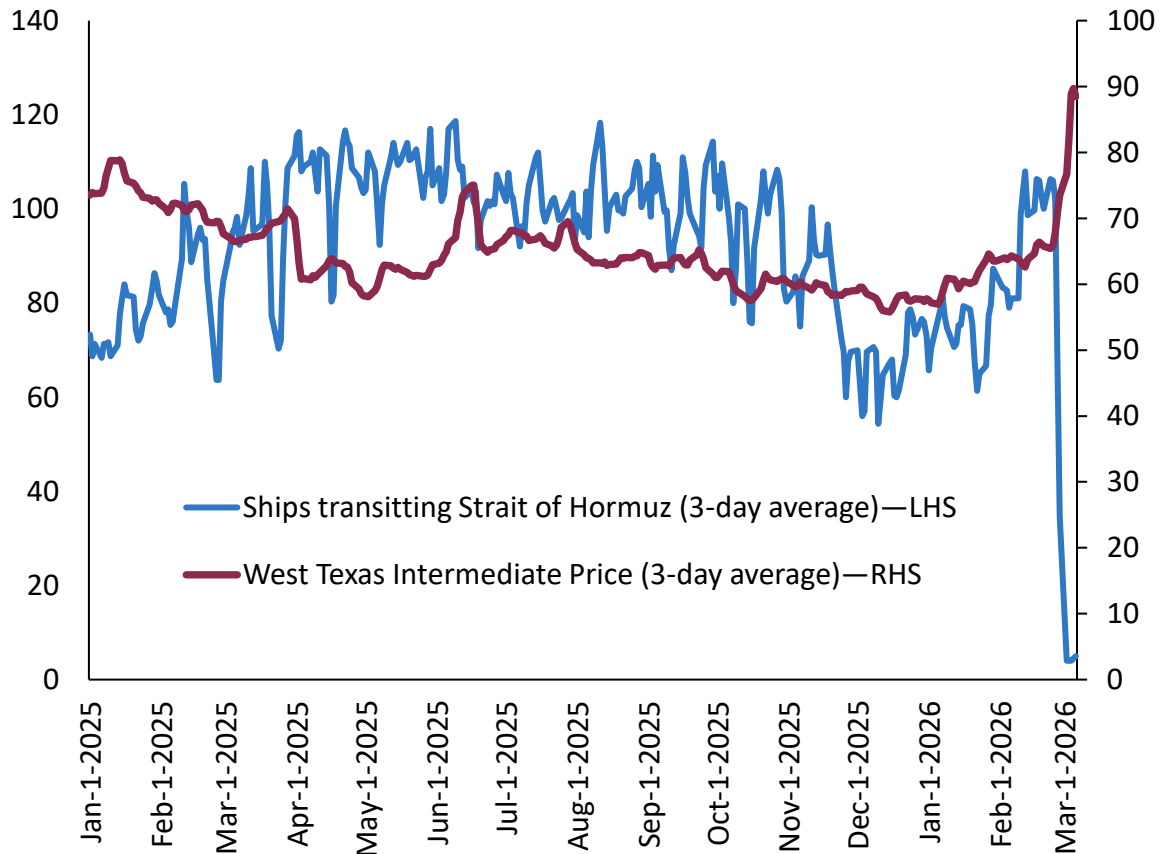


MACROECONOMIC CONTEXT

Energy shock re-emerges as key global risk

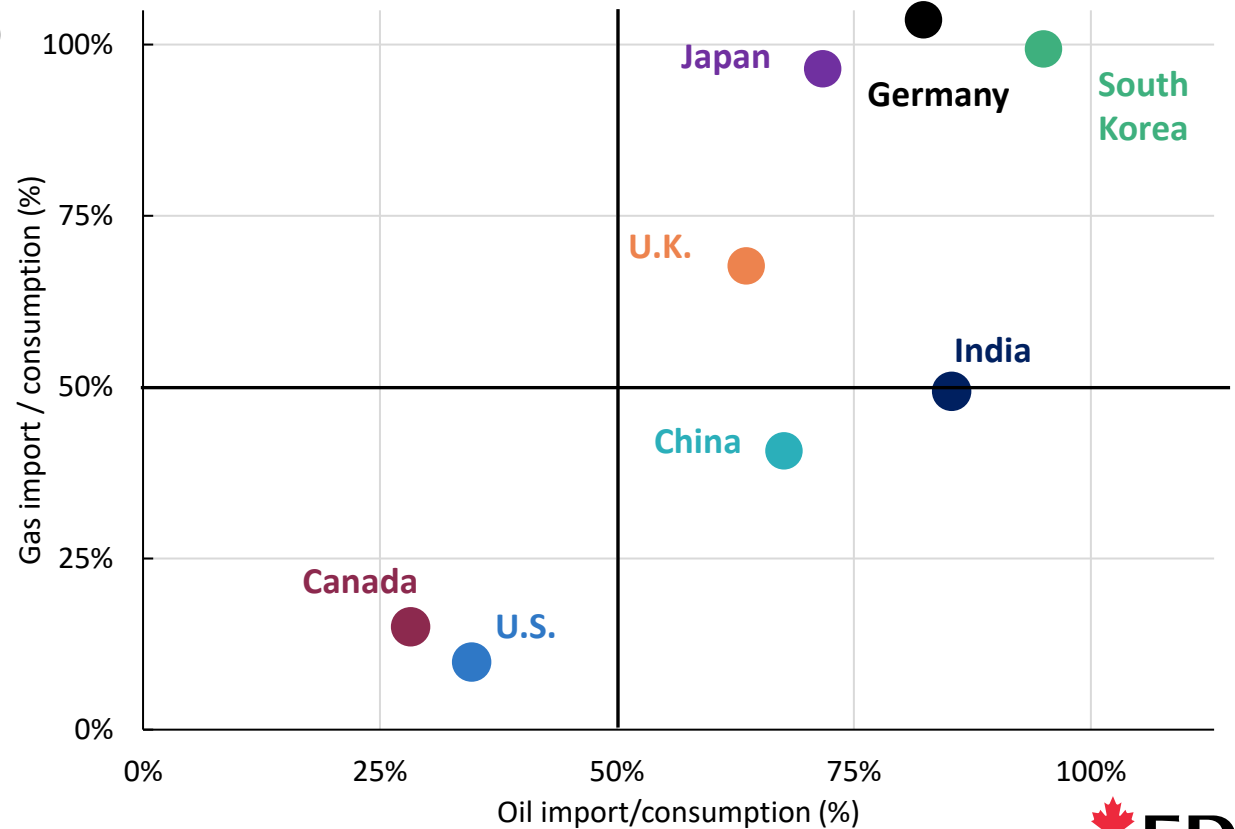
The closure of the Strait of Hormuz has become a key risk to the global economy. As one of the world's most important energy transit points, even limited disruptions to tanker traffic can push energy prices sharply higher. Countries with high oil and gas import dependence are far more exposed to these shocks, as about 15% of global oil and 20% of liquefied natural gas transit the Strait. The disruption will leave importers facing higher fuel, transport and production costs, while energy exporters are comparatively better positioned to absorb the impact.

Oil prices peak as Strait of Hormuz ship traffic drops



Energy-dependent countries at higher risk amid conflict

Percentage, dependency as of 2024

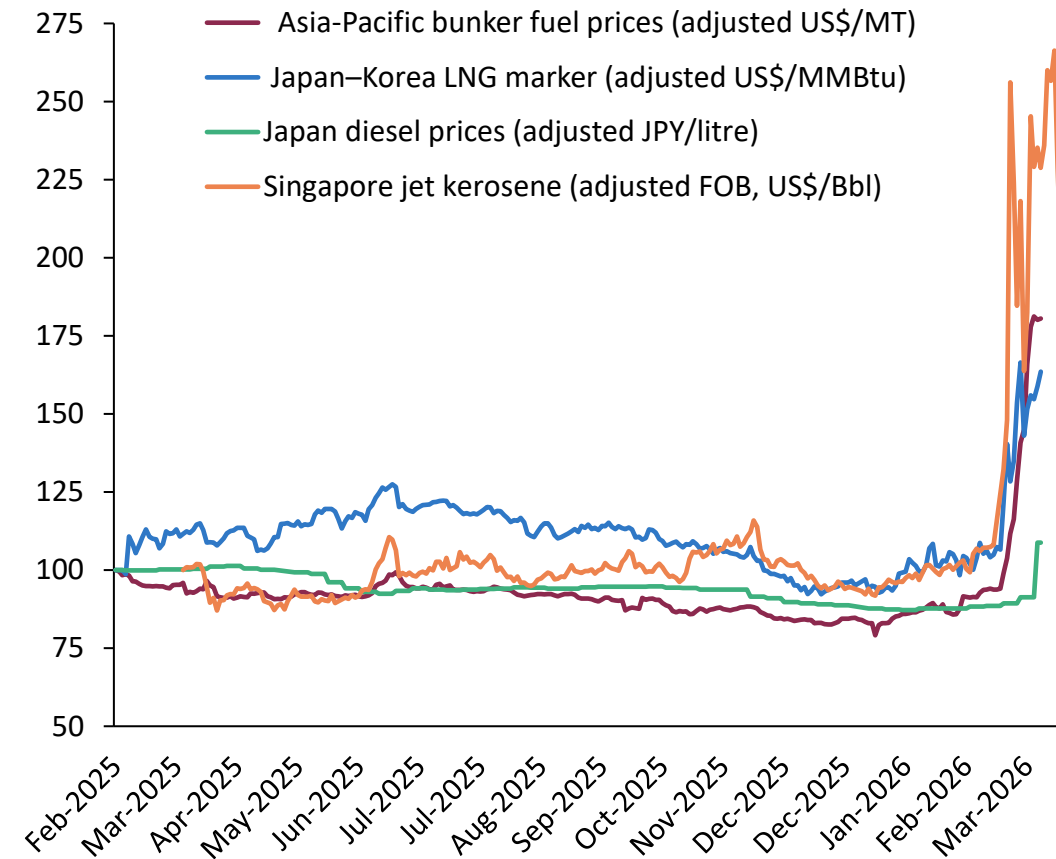


Middle East conflict causes fuel costs to surge

Fuel costs have surged following the escalation of the Middle East conflict. While benchmark oil prices have increased, costs for refined products have ballooned due to shortages. These developments are driving a renewed rise in transportation costs, adding inflationary pressure as supply chain costs increase and weigh more heavily on global trade.

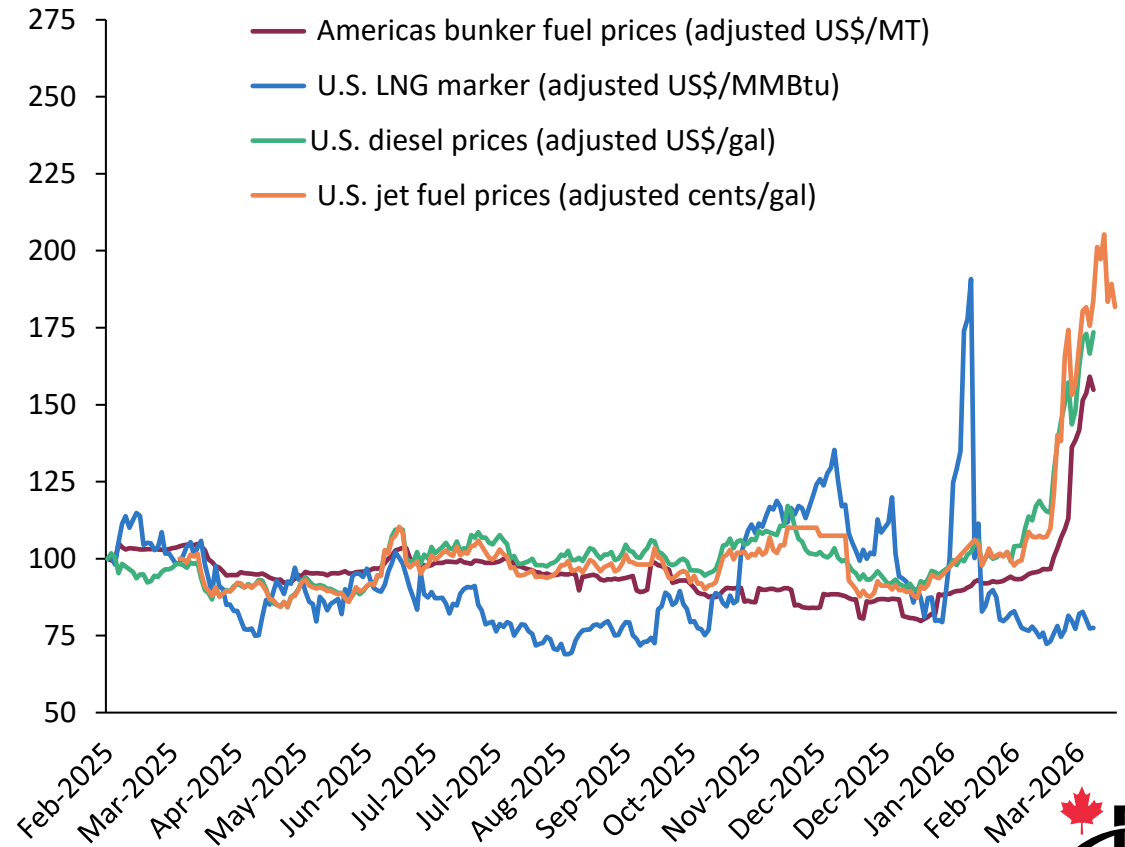
Fuel and LNG prices lifting Asia-Pacific shipping costs

Bunker fuel (VLSFO), LNG, diesel and jet fuel prices (indexed 100=Feb-2025)



Fuel prices across the Americas stoke shipping costs and inflation

Bunker fuel (VLSFO), LNG, diesel and jet fuel prices (indexed 100=Feb-2025)



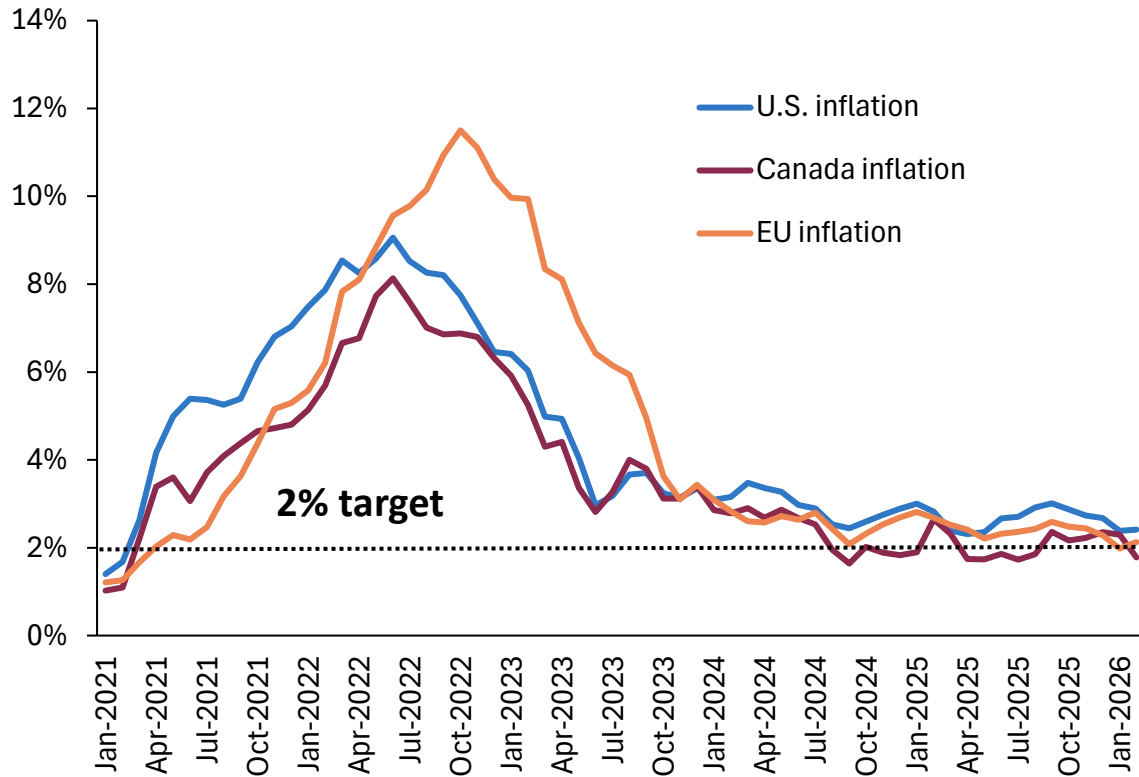
7 Source: Haver Analytics, EDC Economics, The NYME, Ship & Bunker, EIA
Note: VLSFO=very low sulfur fuel oil, MMBtu=One million British thermal units, MT=metric tonne, FOB=free on board, Bbl=barrel

Energy price volatility creates potential inflation risks

The energy price shock triggered by the Middle East conflict has rekindled inflation risks in the global economy. As higher fuel prices move through supply chains, headline inflation is likely to edge up in the near term. With its greater reliance on energy imports, Europe is expected to feel these pressures more acutely. This divergence complicates the central bank policy outlook, as renewed inflation risks emerge alongside softening labour markets, subdued growth prospects and elevated economic uncertainty.

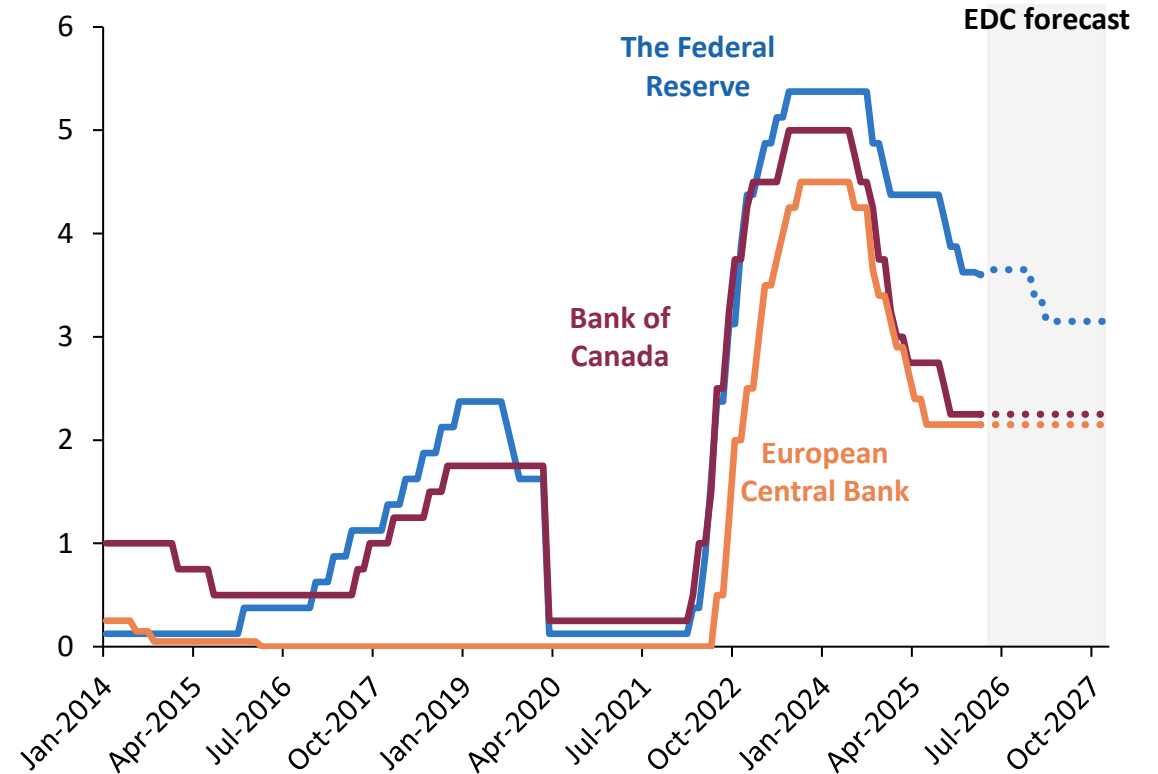
Inflation across major economies nears central bank targets

Inflation, not seasonally adjusted



Central banks expected to pause policy rate cuts—for now

Percentage

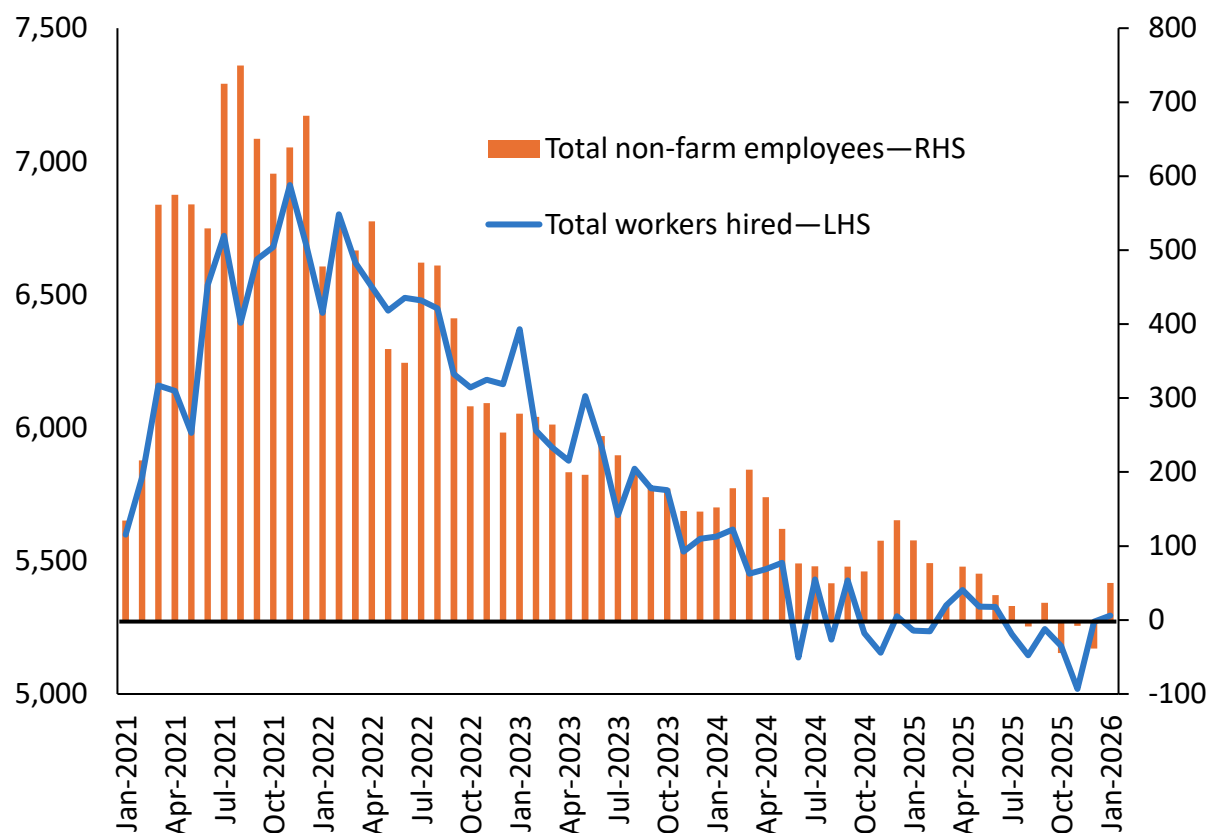


'Low-hire, low-fire' U.S. labour market shuffles forward

With the consumer as the primary driver of the U.S. economy, labour-market conditions remain a critical part of the outlook. Recent data suggest the labour market is softening, not contracting, as firms slow hiring while largely avoiding widespread layoffs. Employment conditions continue to support household spending and overall growth, even as job creation loses momentum. While the labour market is cooling, it is still underpinning growth. However, this easing reduces resilience as global risks rise and energy market volatility intensifies.

U.S. labour market loses steam

Seasonally adjusted, in thousands



Change in U.S. labour market conditions—January 2026 compared to 2022-2025 average

Percent change for levels; percentage-point (pp) change for rates; seasonally adjusted

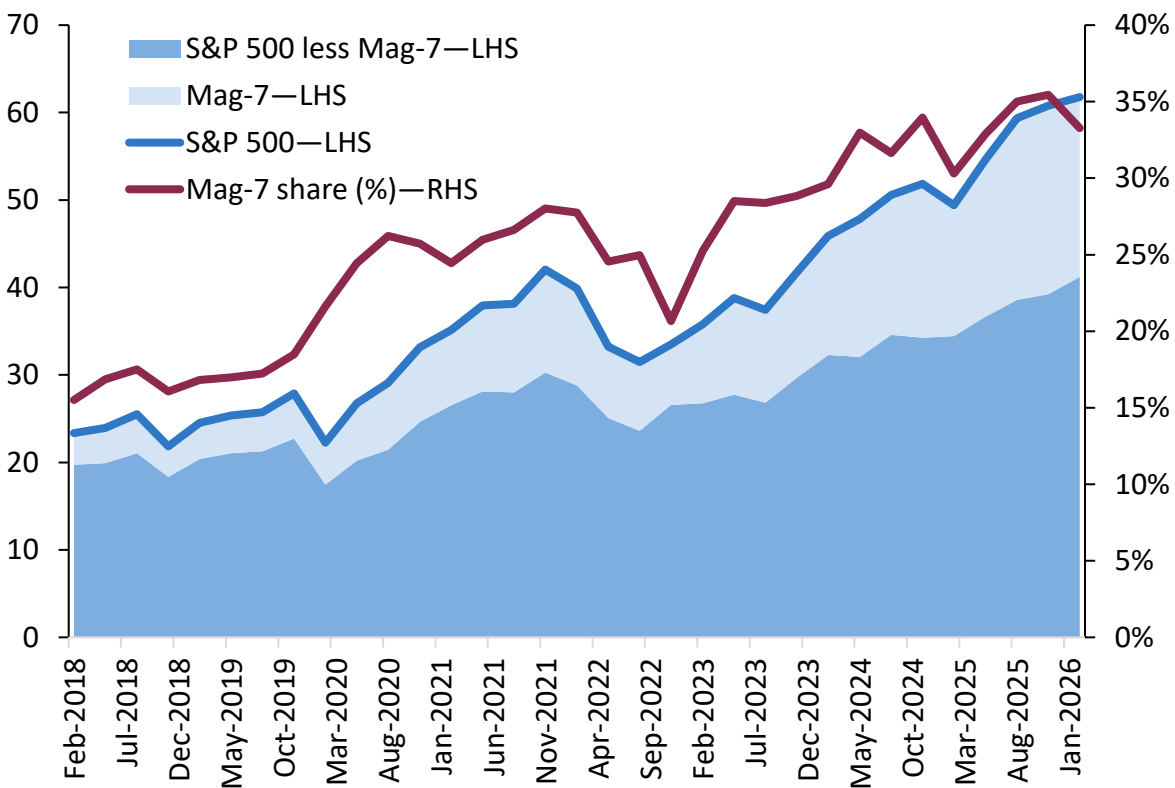


AI and data centre spending props up U.S. business investment

With consumer spending holding up, business investment has also remained relatively strong in the U.S., although it's being driven by a narrow segment of firms. Seven major technology companies, dubbed the "Magnificent Seven," are expected to push capital outlays well above US\$600 billion as spending on artificial intelligence (AI) and data centres accelerates. Stripping out the impact of the Magnificent Seven and their outsized valuations and investment, the broader U.S. business investment outlook looks appears more subdued.

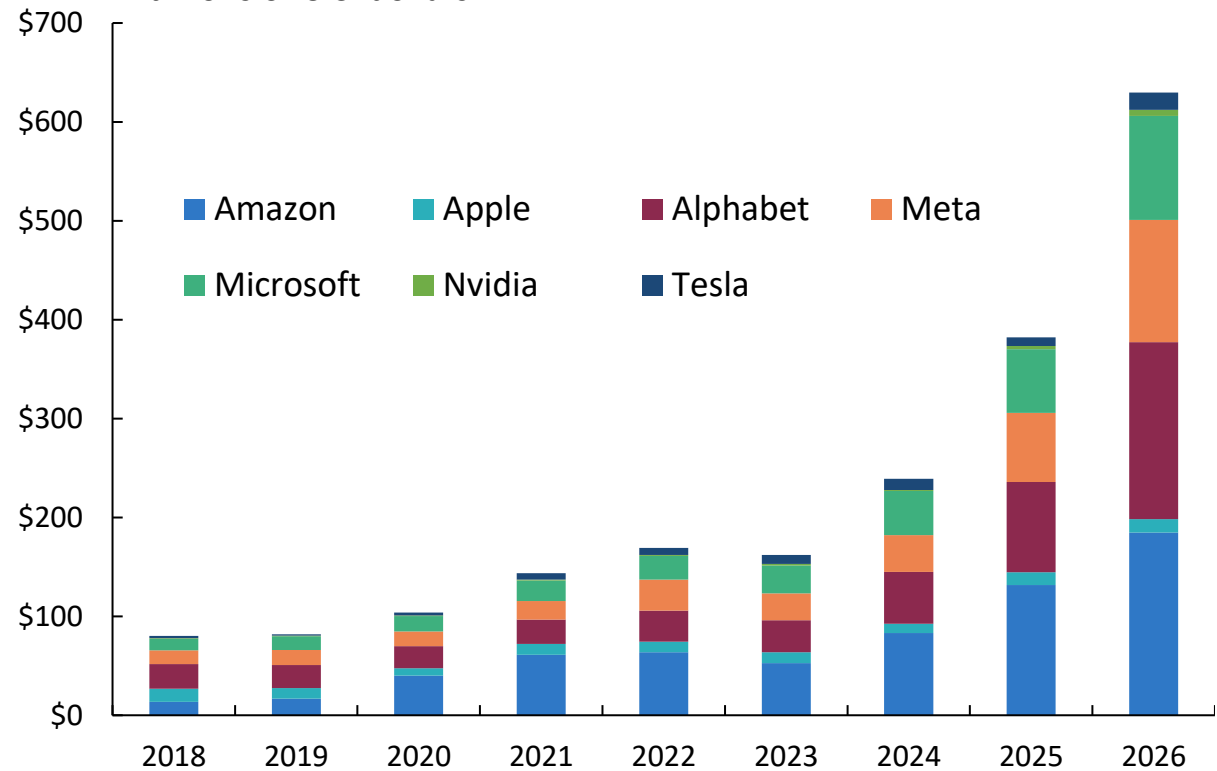
Mag-7 drives ~35% of returns in the S&P 500

In trillions of U.S. dollars



Mag-7 capital expenditures expected to soar above \$600 billion in 2026

In billions of U.S. dollars



Source: Bloomberg

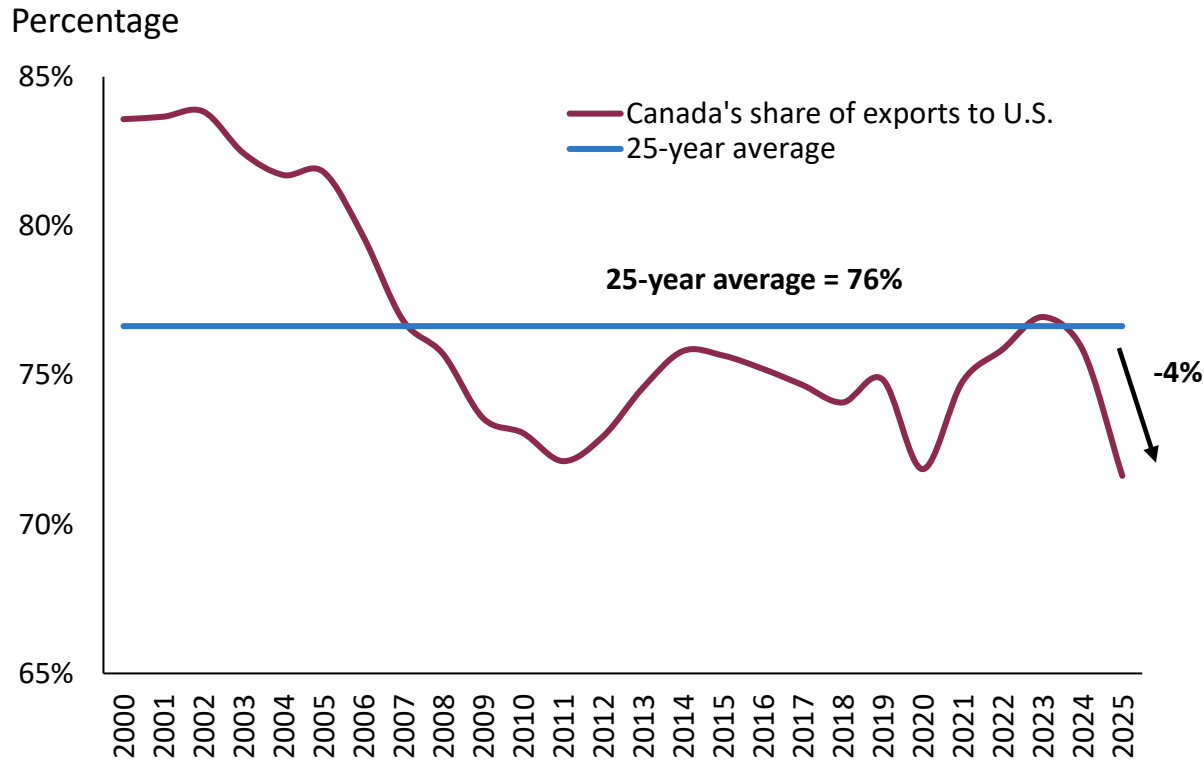
Note: 2026 estimates based on analyst consensus. Mag-7 refers to the Magnificent 7, a group of seven major technology companies that have driven significant stock market growth over the past decade.



'Liberation Day' and U.S. tariffs: One year on

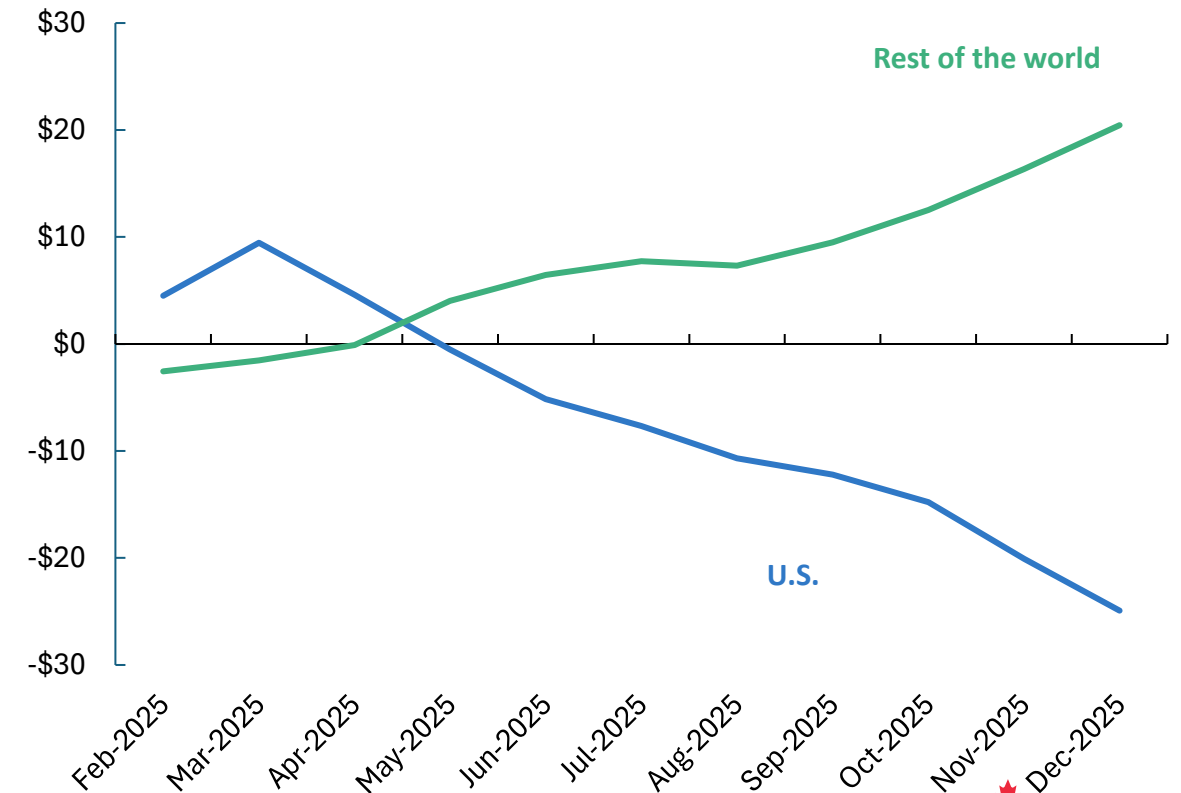
Canada's trade relationship with the U.S. is shifting. While the share of goods exports destined for the U.S. has been volatile this century, U.S. trade policy changes in 2025 delivered a shock to Canadian exporters. After front-running duties by surging goods across the border early in the year, the share of exports destined for the U.S. declined over the course of 2025. Overall, the U.S. share of Canadian goods exports fell from 76% in 2024 to 72% in 2025. At the same time, the value of exports to the rest of the world surged.

Canada's share of goods exports to the U.S.



Change in year-to-date Canadian exports

Billions of Canadian dollars, excluding oil

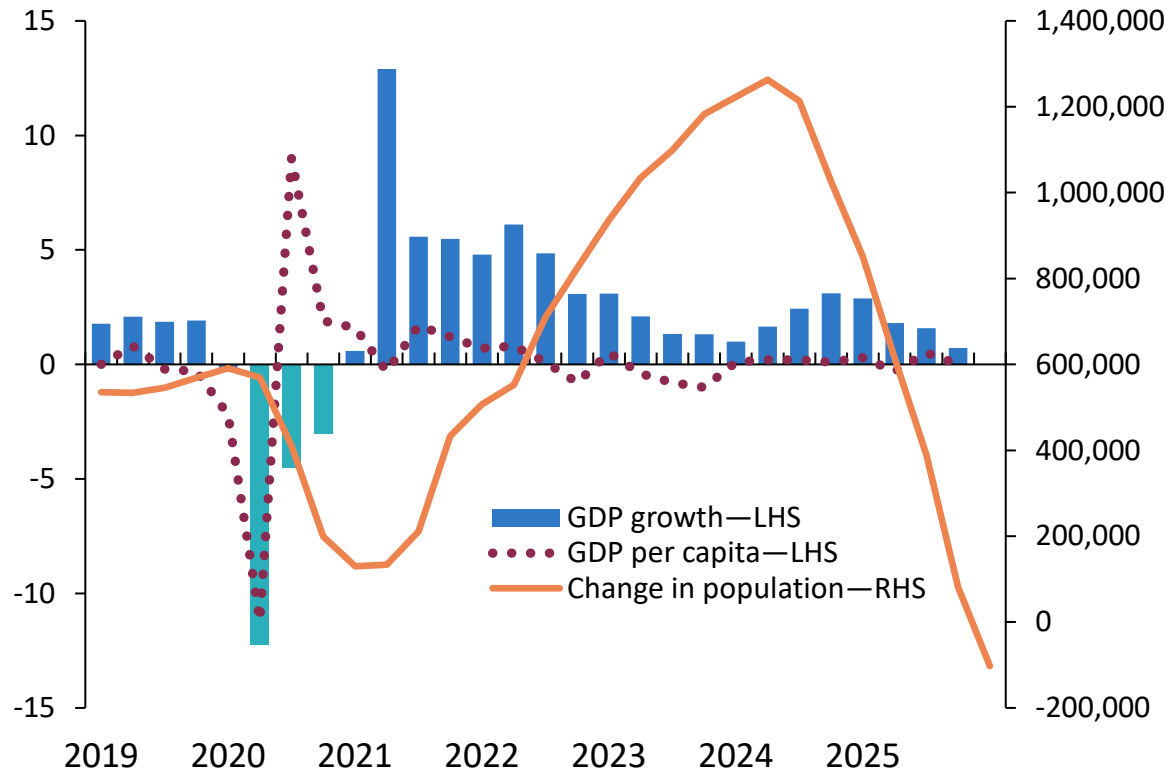


Canadian consumers remain cautious

Canada's population recorded its first contraction on record in 2025, removing a key source of post-pandemic growth. This demographic slowdown, combined with persistent economic uncertainty and affordability pressures, is reinforcing the cautious stance of Canadian consumers. Households continue to save more and spend less, remaining more cautious than their U.S. counterparts amid tighter financial conditions and greater sensitivity to interest rates.

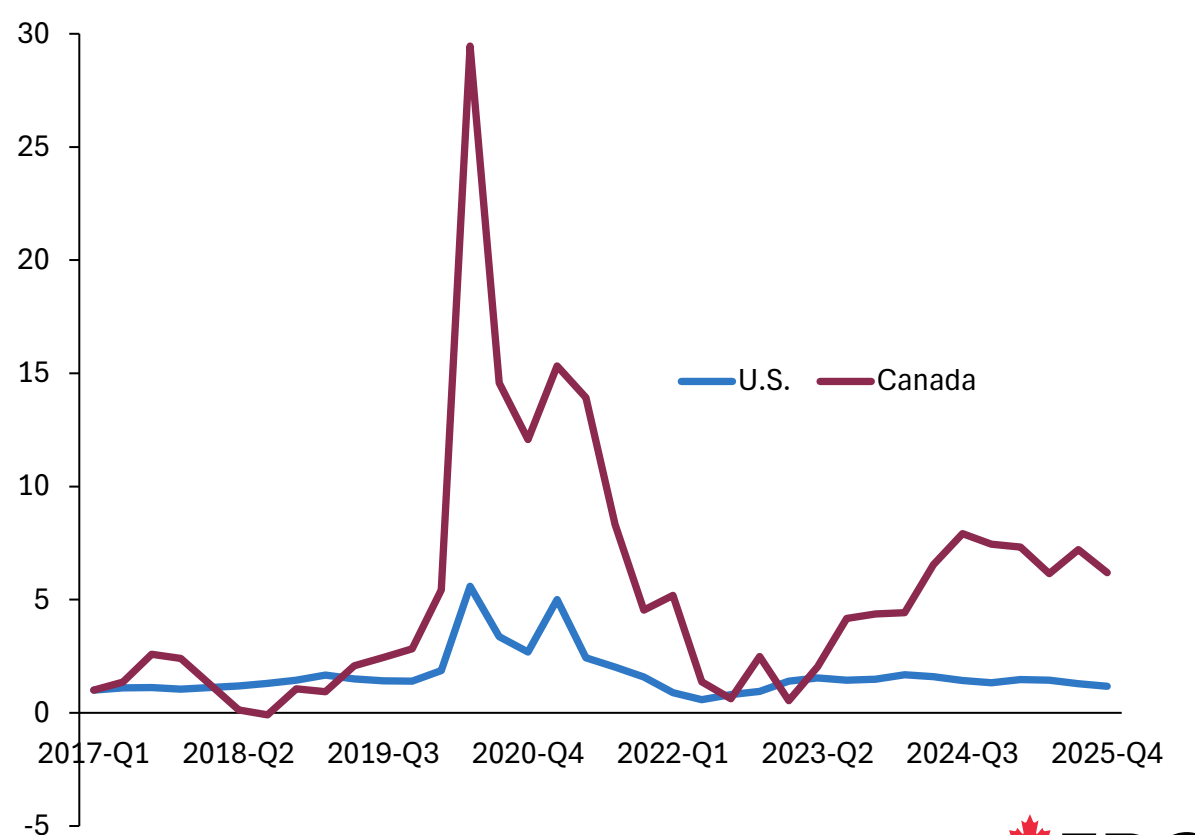
Canada's growth momentum has slowed

Growth rate, year-over-year change, percentage



Canada-U.S. household savings

Indexed to 2017=100



Job market weakness contributes to caution

Canada's labour market is showing clearer signs of cooling. Hiring momentum has faded and unemployment has edged higher. After a solid second half of 2025, employment growth turned negative at the start of 2026, as weaker demand and uncertainty prompted employers to pull back. Weak hiring and pressure on tariff-exposed sectors have been key drivers of this slowdown. At the same time, slower but still growing labour-force participation has added pressure on the unemployment rate, as more people compete for fewer job openings.

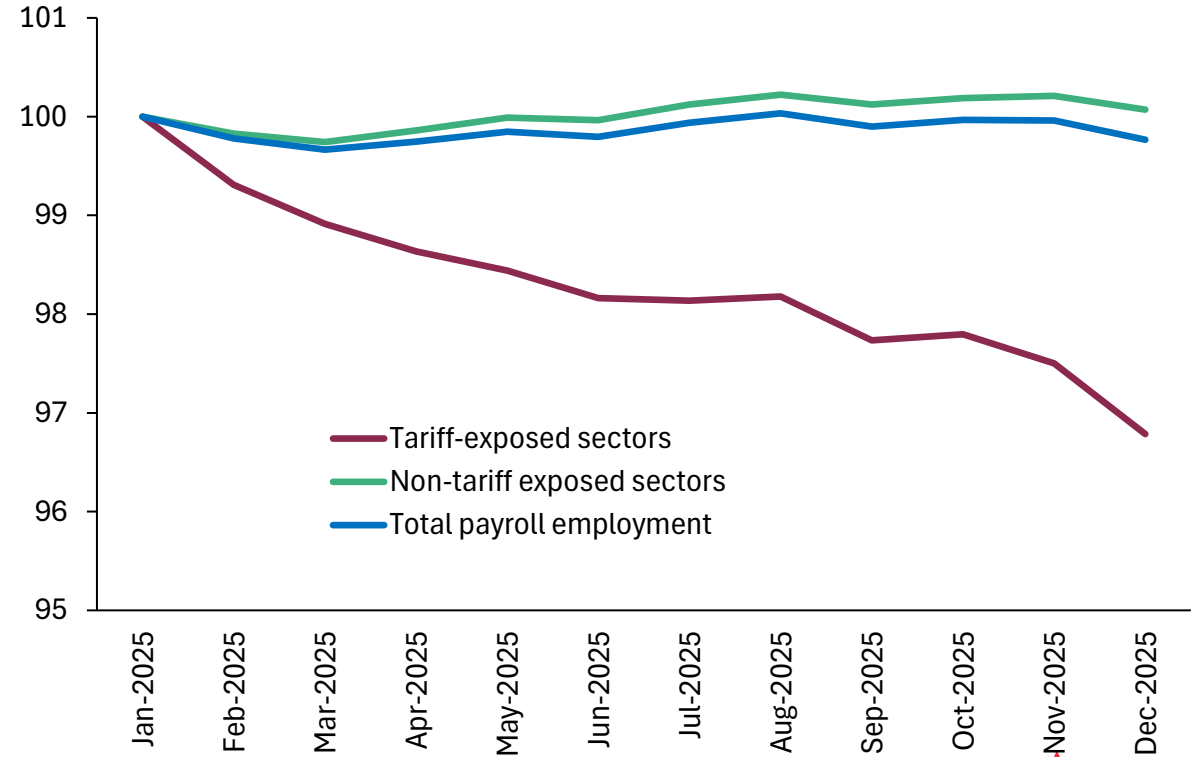
Canadian labour market under pressure

LHS: Employment, persons in thousands, 15 years and over, seasonally adjusted, RHS: percentage



Canadian payroll employment hit by tariffs

Jan 2025=100

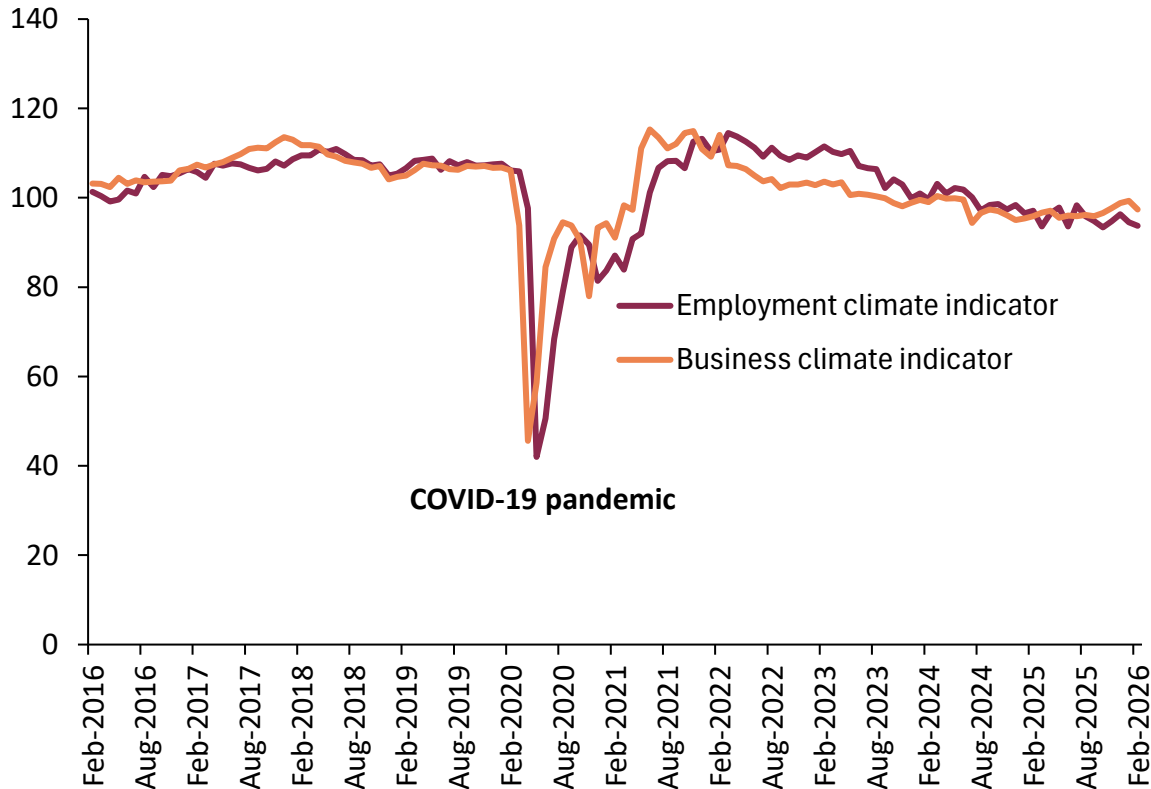


Europe's domestic strains collide with rising external risks

Europe continues to grapple with domestic challenges, as policy uncertainty weighs on business confidence in France and momentum across the region remains uneven. In Germany, a pickup in domestic capital-goods orders points to tentative investment stabilization, but growth remains fragile. These pressures are unfolding as the conflict in the Middle East heightens risks for a region heavily dependent on imported energy, leaving Europe more exposed to external shocks, inflation risks and downside pressures.

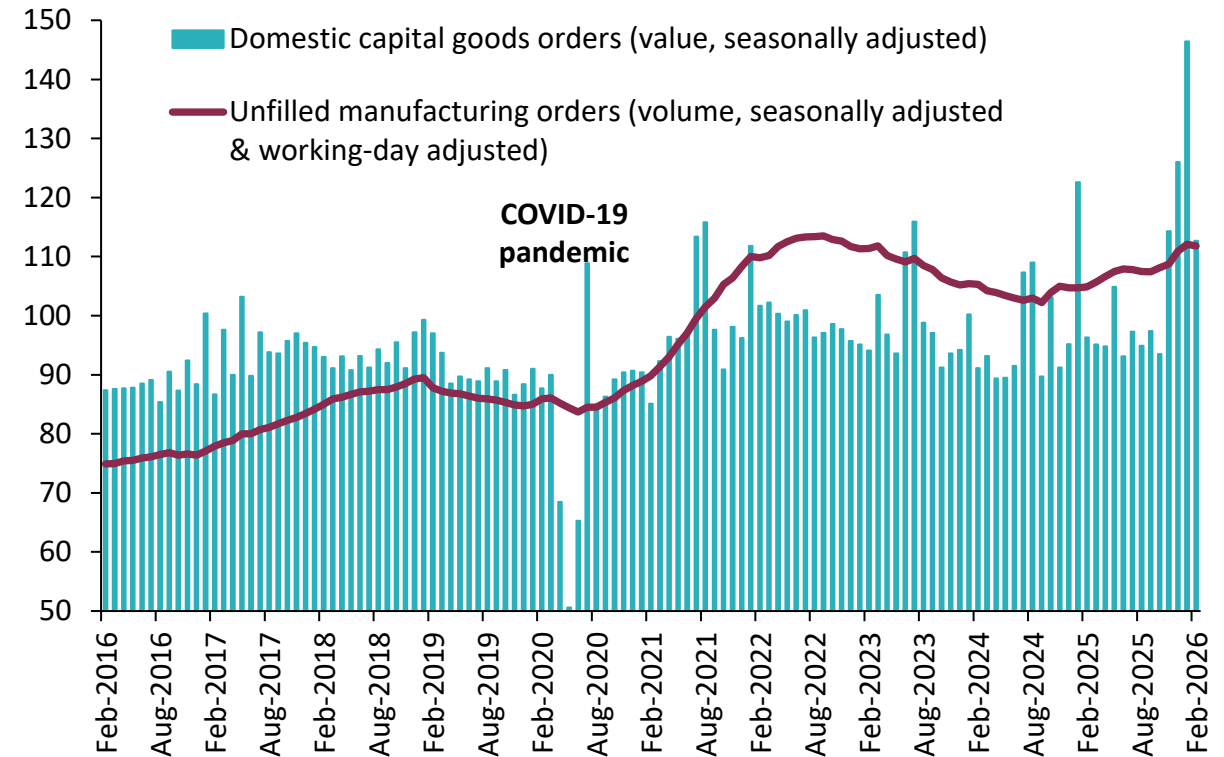
France's continues to face ongoing policy uncertainty

Business survey sentiment (2021=100), not seasonally adjusted



Germany's domestic capital-goods orders have picked up

2021=100

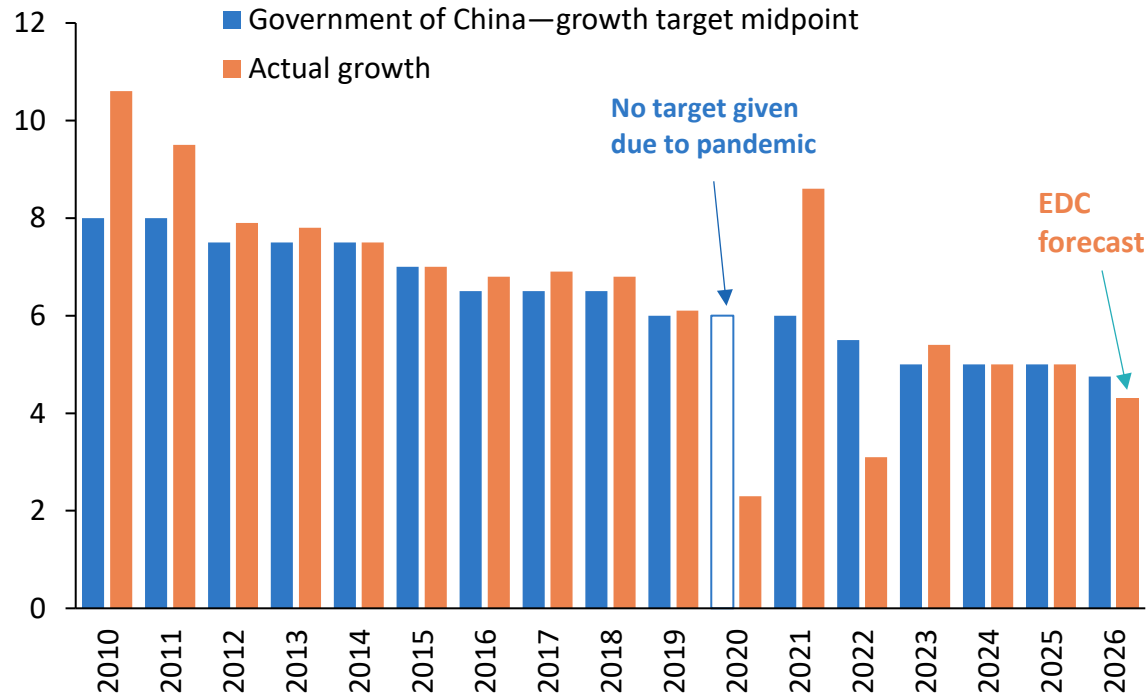


China's domestic economy struggles, forcing reliance on exports

China's domestic growth continues to struggle, reflected in the government's more modest official growth target. Domestic demand remains weak as the prolonged property market downturn weighs on household prospects. As a result, growth is increasingly dependent on external demand. That has continued to bear fruit, with China running a US\$1 trillion trade surplus even as exports to the U.S. decline. Export growth to non-U.S. regions remains positive, underscoring a shift in trade patterns amid ongoing trade tensions with the U.S.

China's target for GDP growth continues to fall

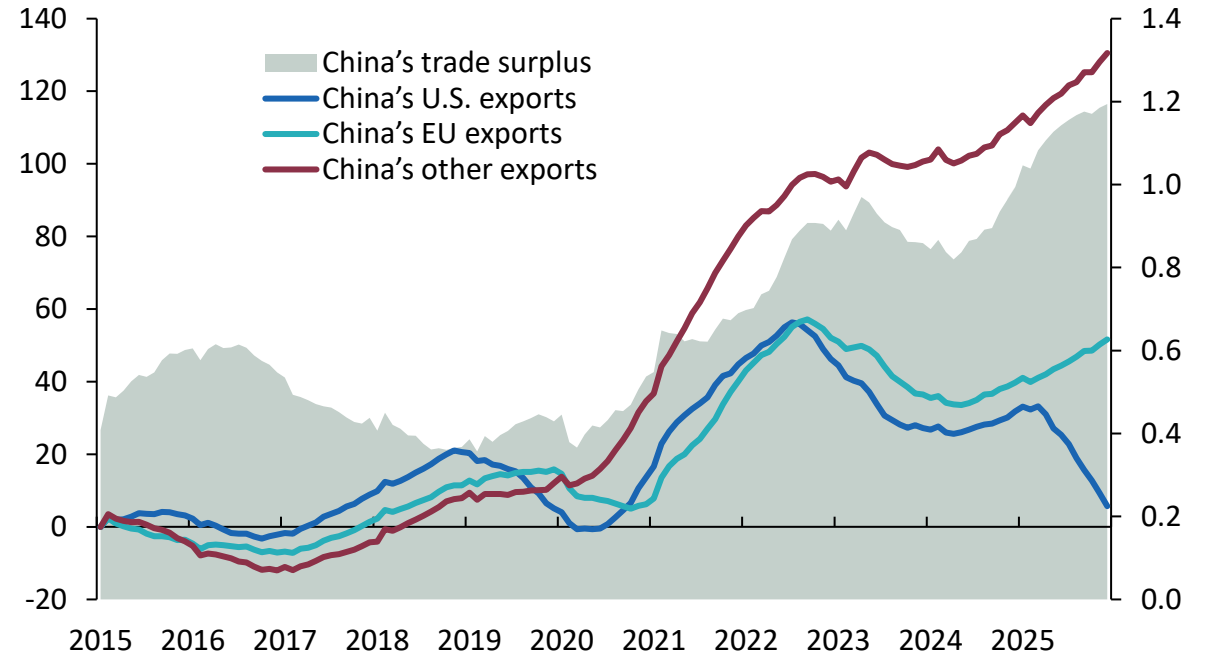
GDP growth, year-over-year change, percentage



China's exports to non-U.S. markets continue to rise

LHS: Goods exports, cumulative growth since 2015, percentage

RHS: Trade surplus, trillions of \$US dollars



COUNTRY OUTLOOKS

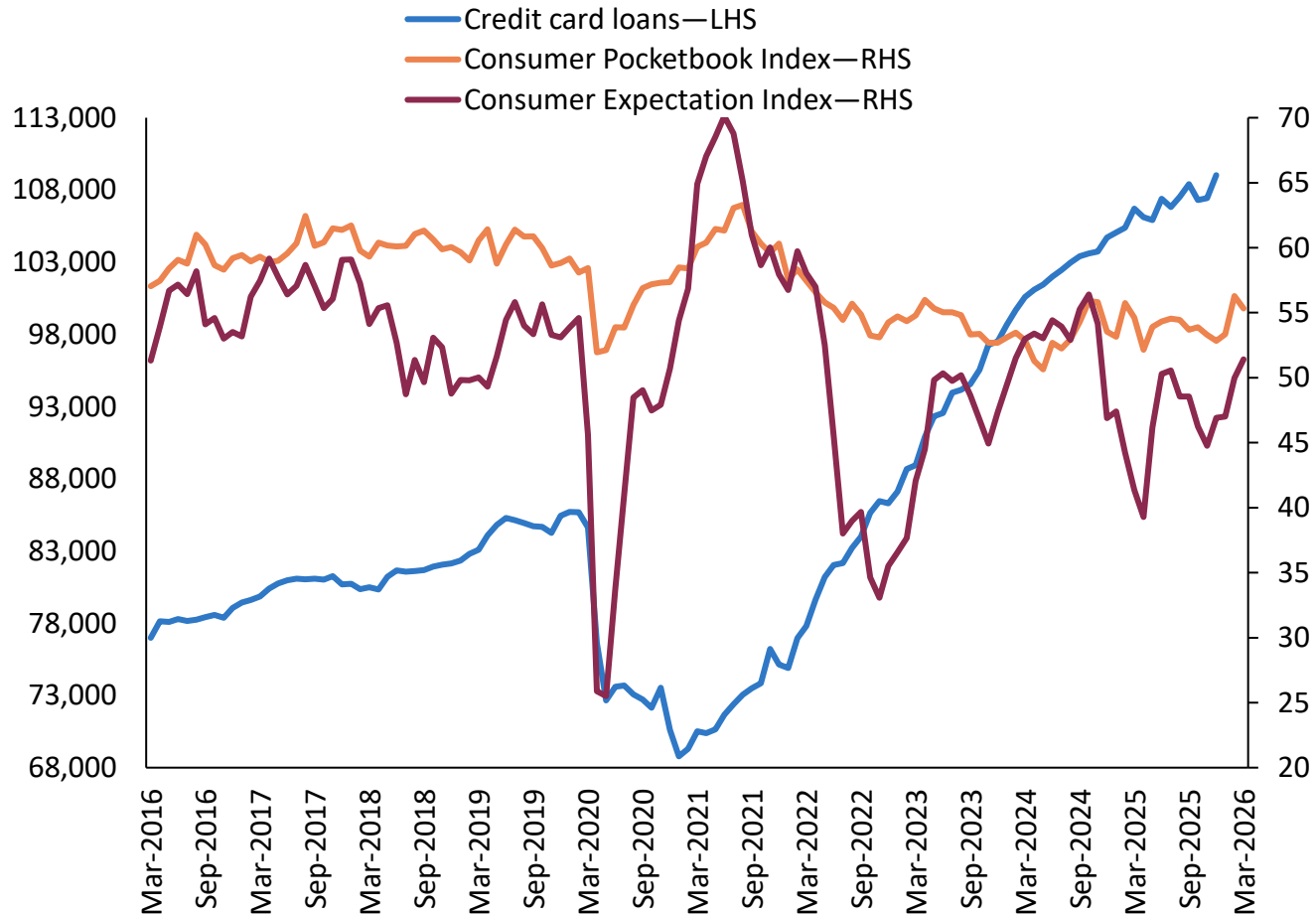
Canada

Prince Owusu, senior economist



Canadian households facing financial stress

LHS: Millions of Canadian dollars, RHS: Index



The outlook for Canada's economy is softer this year. Tariffs and higher energy prices tied to the conflict with Iran have the potential to slow growth further and add to inflation. Uncertainty around the upcoming Canada–United States–Mexico Agreement (CUSMA) review is also creating baseline uncertainty for businesses. Canada's real gross domestic product (GDP) growth is forecast to slow to 1.3% this year, down from 1.7% last year.

Households entered the year facing a weaker job market. Employers cut nearly 109,000 positions in January and February, and the share of people working continues to edge down, pointing to more slack in the labour market. With debt levels already high, many households are relying more on credit cards and other borrowing to cover day-to-day costs. Interest payments now absorb 8.6% of income—2.6 percentage points more than at the end of 2021.

Tariffs are also expected to weigh on exports this year. These include U.S. sectoral tariffs affecting the steel and aluminum, auto, copper and forestry sectors. While tensions with China eased at the start of 2026, tariffs of 15% on canola seed and 25% on pork remain in place.

Looking ahead, the outlook improves next year. Several large energy and resource projects are expected to move forward, supporting business investment and job creation. Stronger employment growth should help underpin household spending. Real GDP is expected to grow by 2.1% next year as investment spending feeds through the economy.

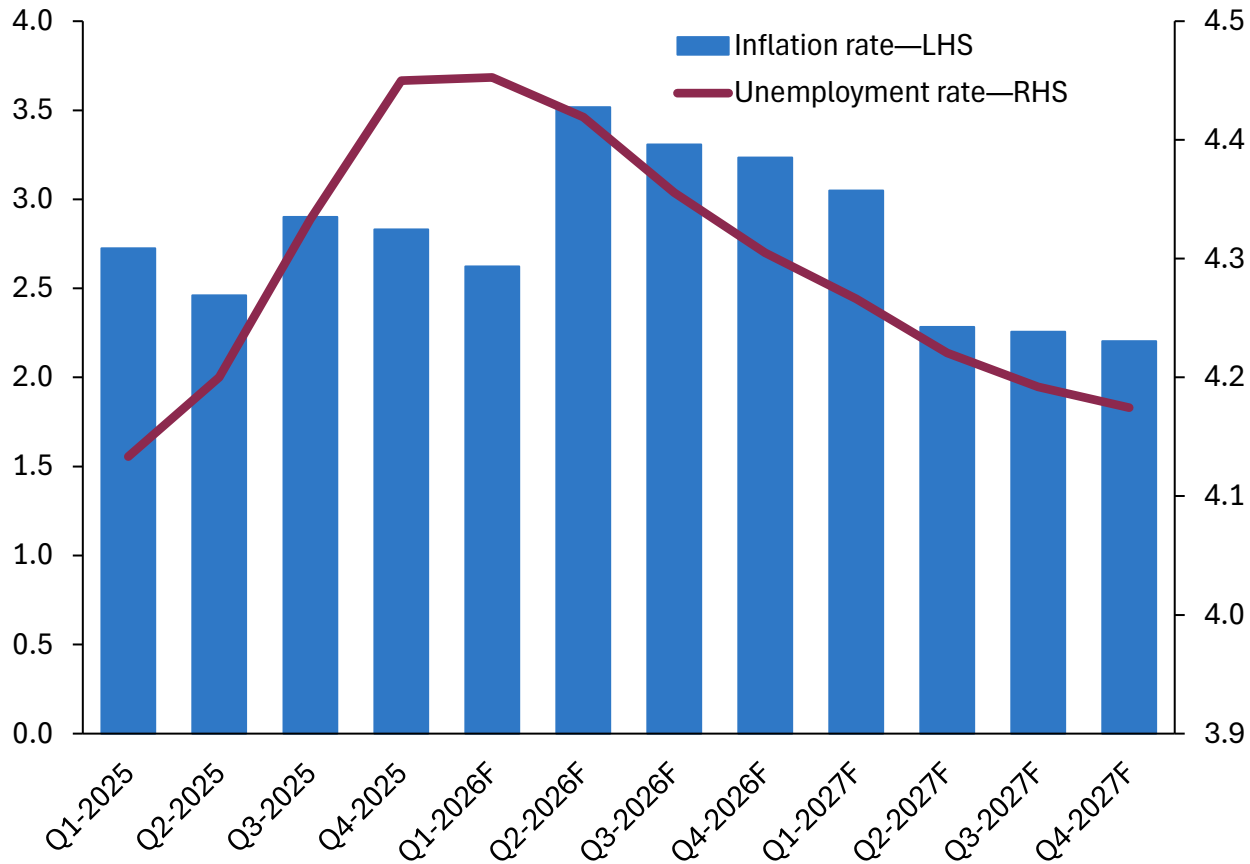
United States

Prince Owusu, senior economist



U.S. economic outlook: Inflation risks keep the Fed on hold

Percentage



The U.S. economy is facing renewed headwinds from the conflict in the Middle East. Gasoline prices have risen above \$4 per gallon in several states, up from a national average of about \$3 before hostilities began, squeezing household budgets as the labour market cools. Diesel prices, which fuel the movement of goods, are also averaging above \$5 per gallon.

Consumers have been resilient, but signs of financial strain are emerging. As stocks soften and hiring slows, higher-income households that have supported spending may lose momentum, while conflict-related inflation could erode purchasing power.

Business investment remains concentrated in technology, particularly data centres, related infrastructure and artificial intelligence, while other categories are weak. Excluding tech, non-residential investment fell sharply last year and is likely to stay subdued.

Inflation, which had been trending toward the Federal Reserve's 2% target, is expected to reaccelerate and move above the Fed's 3% upper range as global price pressures rise amid the conflict. In our base-case forecast, the Fed is therefore likely to keep rates unchanged for most of the year.

Persistent inflation, a softer labour market and moderately tight financial conditions should constrain growth. GDP is projected to average about 2.3% in 2026–2027, roughly in line with last year.

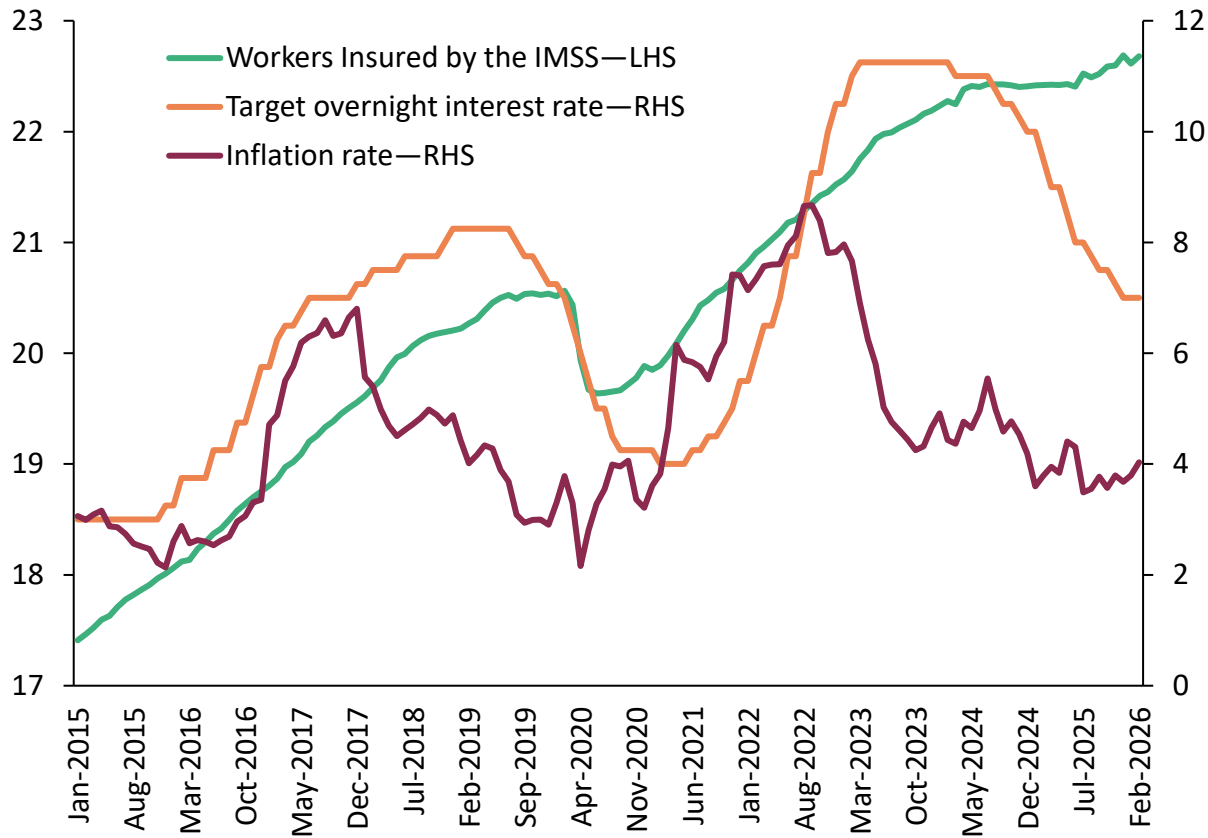
Mexico

Prince Owusu, senior economist



Labour market holds as inflation and rates trend down

LHS: Number of persons, RHS: Percentage



Mexico’s economic outlook improves in 2026. Momentum from late last year has brightened prospects: Real GDP is forecast to grow 1.7%, up from 0.8% last year.

Consumer, business, and government spending ended last year strongly, providing a solid base for 2026. The policy rate has fallen from 11.25% to 7% as of mid-March, below its pre-pandemic level. Higher real minimum wages are supporting household spending, and a new labour law is moving more informal workers—those outside formal labour laws and social protections—into Mexico’s social security system. Although the Iran war may lift inflation, overall consumer spending should remain positive this year.

Business sentiment is also improving, alongside capacity utilization and industrial production. Gains are gradual and may not translate into a major near-term lift in investment, but the uptick from recent lows is a positive sign after confidence was weighed down by governance and rule-of-law concerns.

Inflation rose to 4% in February after hovering near 3.5% in the second half of last year. With the Iran war and higher crude prices, inflation risks are tilted upward, which may prompt the Bank of Mexico (Banxico) to keep rates on hold for longer. The war has weakened the peso as risk-averse investors move into U.S. safe-haven assets. After a strong rally following U.S. President Donald Trump’s “Liberation Day” tariff announcement, the peso is expected to level off this year and weaken next year amid soft domestic conditions, governance concerns and trade uncertainty. The peso is forecast to depreciate from MX\$18 per U.S. dollar to MX\$19 next year.

Overall, real GDP is expected to expand by 2% next year as business conditions improve and major government projects begin construction.

France

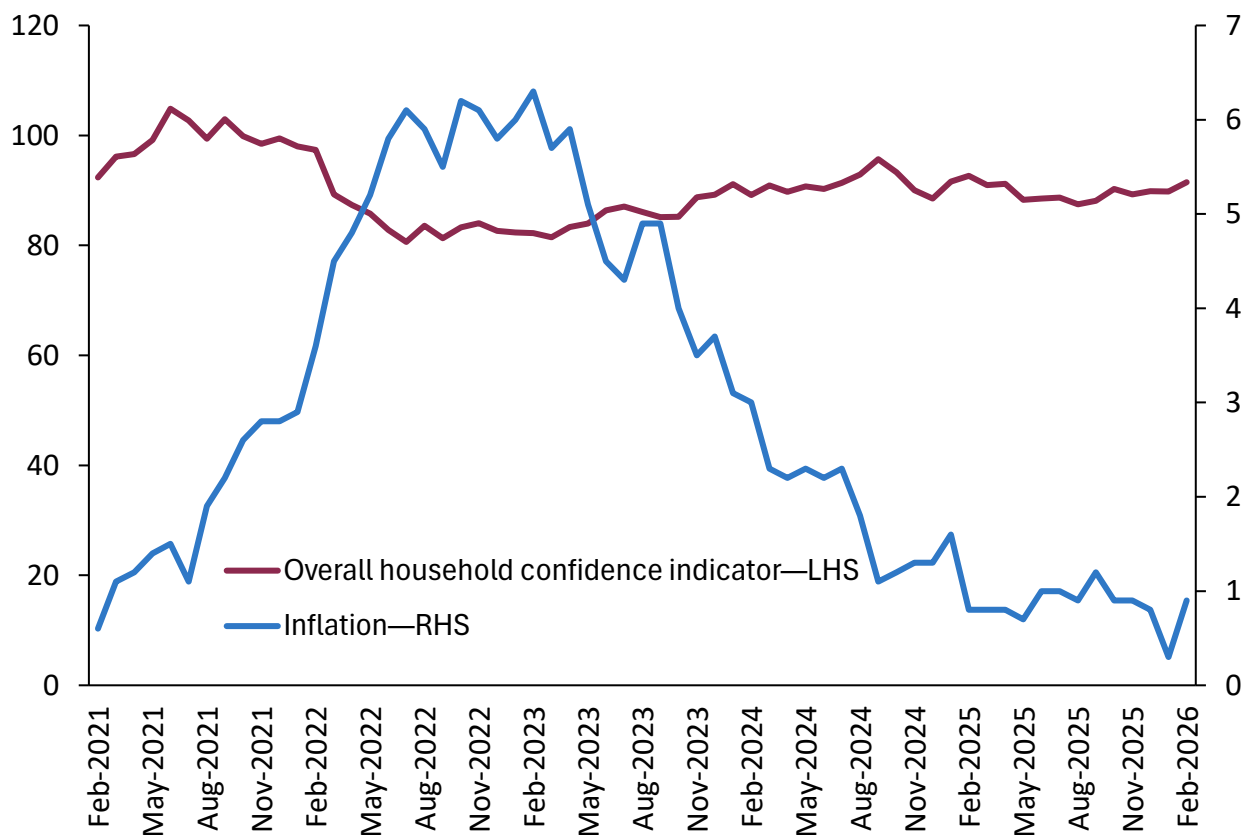
Sasan Fouladirad, country risk analyst



Early signs of gradual recovery in household confidence

LHS: Seasonally adjusted, long-term average=100,

RHS: Year-over-year, percentage change



France's economy ended 2025 on a softer footing after a strong third quarter. Real GDP rose 0.2% quarter-over-quarter in the fourth quarter, down from 0.5% in the third quarter. Trade continued to support growth, but the boost from exports eased as aerospace shipments cooled. GDP growth for 2025 was 0.9%. Growth is expected to remain subdued at 0.9% in 2026, then strengthen to 1.1% in 2027 and 1.3% in 2028, supported by greater domestic political clarity and a gradual recovery in household consumption and business investment.

Households remain cautious, although early signs of improvement are emerging. Consumer confidence rose to 91 in February, the highest since April 2025, but remains well below its long-term average. Households are less pessimistic about their finances and living standards, reflected in a lower savings rate of 17.9% in the fourth quarter of 2025, down from 18.3% in the third quarter. Lower interest rates, alongside low inflation of 1% year-over-year in February, have supported the improvement.

Business confidence weakened again in February, falling to 97, the lowest since October 2025. Manufacturing confidence also declined, down three points to 102. However, confidence in other transport equipment manufacturing remains elevated at 117, highlighting an area of continued strength. Private investment is expected to recover gradually as lower interest rates provide support, but political uncertainty and fiscal tightening remain key headwinds.

Defence spending will be a major support to growth. The government plans to raise the defence budget to €64 billion (about C\$102 billion) by 2027, three years ahead of schedule, which is projected to add 0.2 percentage points to GDP growth in 2026. In addition, Germany's stimulus plan is expected to lift French growth by a combined 0.16 percentage points in 2026 and 2027.

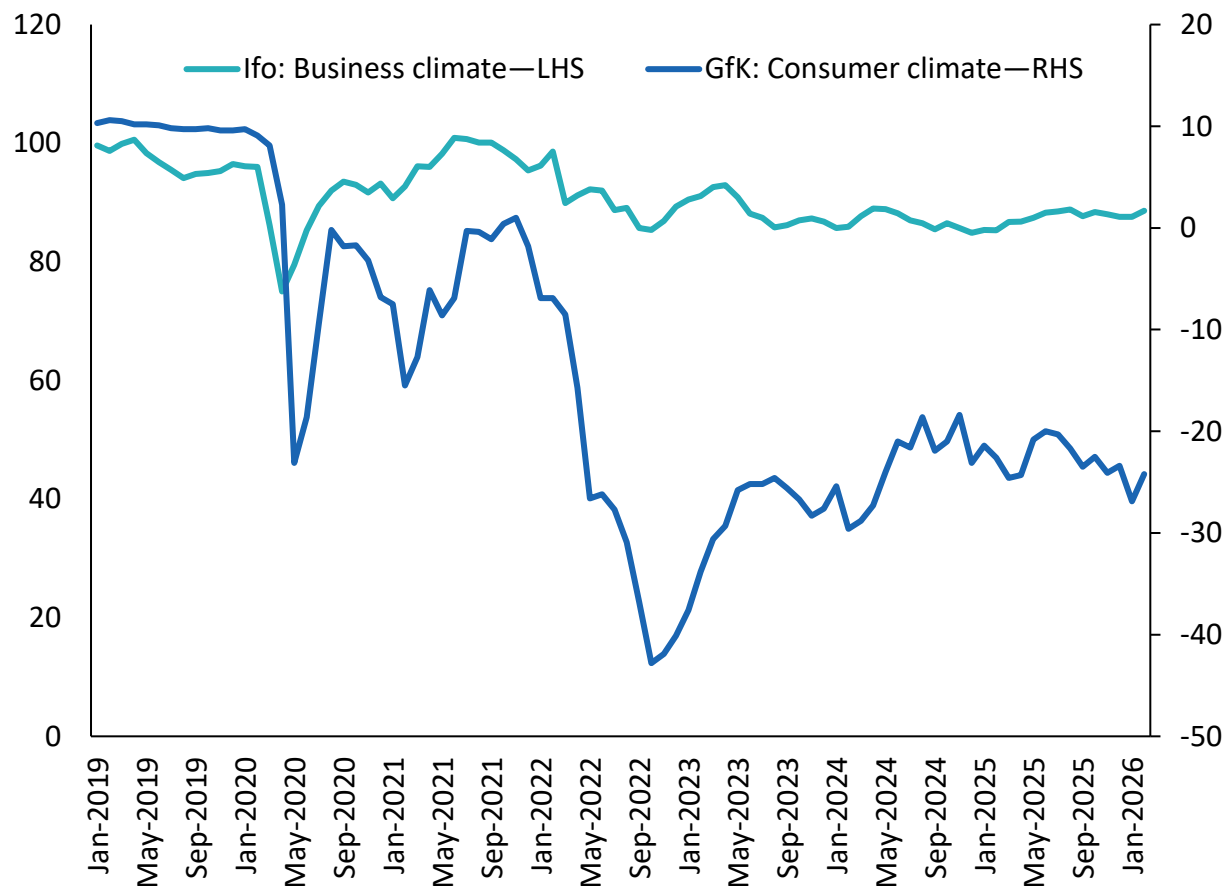
Germany

Sasan Fouladirad, country risk analyst



Business sentiment improves while households remain cautious

LHS: Business climate indexed to 2015=100, RHS: Percentage



Germany's economy is showing clearer signs of improvement, but the recovery remains modest. Real GDP rose 0.3% quarter-over-quarter in the fourth quarter of 2025 after flat growth in the third quarter, lifting 2025 growth to 0.2% following contractions of 0.5% in 2024 and 0.9% in 2023. We forecast real GDP growth of 0.7% in 2026, rising to 1.6% in 2027.

Business activity indicators have improved since mid-2025. Manufacturing orders have strengthened, with the new orders index rising to 100 in December 2025 from 92.9, driven mainly by large public-sector defence orders. Sentiment has also firmed: the *Ifo Business Climate Index* increased to 88.6 in February, with both current conditions and expectations improving. PMIs have strengthened further, with the composite at 53.1 in February and manufacturing back in expansion at 50.7, suggesting the long-running gap between resilient services and weak manufacturing is narrowing.

However, stronger business conditions haven't yet translated into firmer household demand. After years of stagnation, households remain cautious despite rising incomes. Consumer confidence remains deeply negative: the *GfK Consumer Climate Index* fell to -24.7 heading into March from -24.2 previously, indicating households are still reluctant to spend and are more likely to save income gains.

External conditions still weigh on the outlook, particularly for Germany's trade-exposed manufacturing sector. Chinese firms are expanding aggressively in advanced manufacturing segments such as electric vehicles, batteries and clean-technology machinery, intensifying competitive pressure on German producers. Against a backdrop of weak external demand and rising competition, net exports are expected to subtract from growth in 2026.



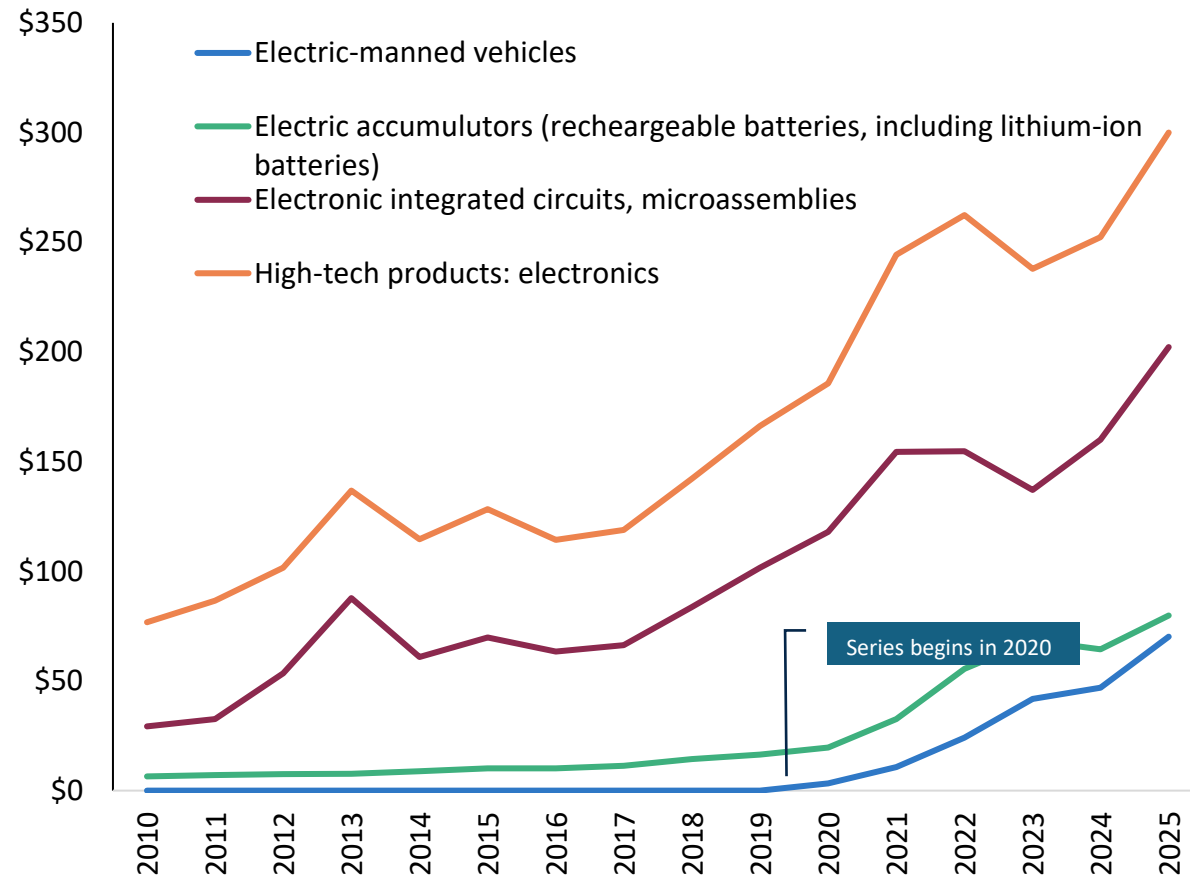
China

Susanna Campagna, principal country risk analyst



China's export mix is more high-tech and higher-value

Value of exports, flows, not seasonally adjusted, billions of U.S. dollars



China has set a 4.5% to 5% growth target for 2026, which offers greater policy flexibility amid global trade uncertainty and geopolitical turbulence. The economy closed 2025 with a record US\$1.2 trillion goods trade surplus, reflecting successful market diversification and an ongoing shift—illustrated in the accompanying chart—toward higher value exports, particularly in high-tech and advanced manufacturing. While the current oil price shock will marginally weigh on near-term growth, China's substantial strategic petroleum reserves and diversified energy mix should help mitigate the impact in the short term. Our forecast projects GDP growth of 4.6% in 2026, easing slightly to 4.5% in 2027.

Looking ahead, the property sector crisis, deflationary pressures and weak domestic consumption are expected to persist. The government will continue its anti-involution campaign to curb overcapacity and falling prices, although progress will be gradual. At the same time, China will maintain heavy investment in advanced manufacturing and technology, while the 15th Five-Year Plan underscores the need to boost domestic consumption—albeit without explicit quantitative targets.

Upside risks to our forecast include a reduction in global tariff uncertainty and easing oil prices. Downside risks remain more pronounced and include persistent tariff pressures—particularly on semiconductors and advanced chips—as well as potential spillovers from the property sector into the financial system. Additional downside risks stem from a possible escalation of existing geopolitical conflicts or the introduction of new commodity-specific tariffs affecting Chinese exports.

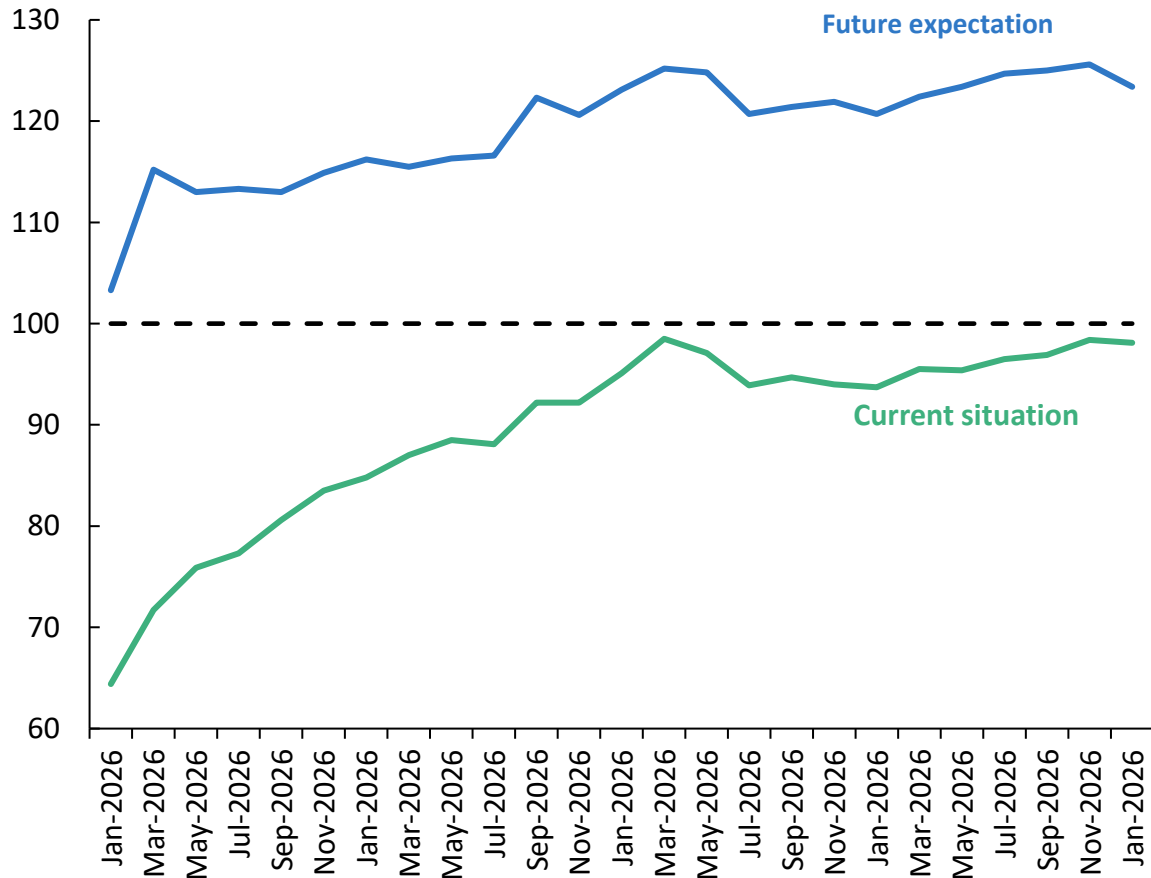
India

Nadeem Rizwan, senior economist



Steady consumer confidence signals sustained consumption growth

Index, 100=Neutral



India continues to post strong economic growth. EDC Economics has left its 2025-2026 fiscal year (FY) growth forecast unchanged at 7.6% and revised its FY27 forecast slightly to 6.6%. Newly rebased GDP data shows only minor changes from the previous series, with no material impact on trend growth and smoother year-to-year dynamics.

In the third quarter of FY26 (fourth quarter of 2025), GDP growth moderated quarter-over-quarter from the second quarter of FY26. Weaker investment and government consumption drove the slowdown, while private consumption remained strong. Net trade contributed positively as imports normalized from a high base and exports stayed resilient.

Growth in FY27 is expected to remain solid, supported by solid domestic demand and sustained public investment. Private consumption should stay robust, underpinned by contained inflation and stable consumer confidence. Infrastructure-led public capital spending announced in the FY27 budget will continue to support activity. While investor sentiment has improved following the announcement of trade agreements with key partners, the pace and durability of a recovery in private investment remain uncertain. Exports are expected to remain resilient, supported by strong services exports and lower U.S. tariffs on goods exports, while broader benefits from trade agreements should materialize gradually over the medium to long term.

India's reliance on energy imports—particularly from the Middle East—poses downside risks if a regional disruption is prolonged, through higher energy prices and potential supply constraints.

Brazil

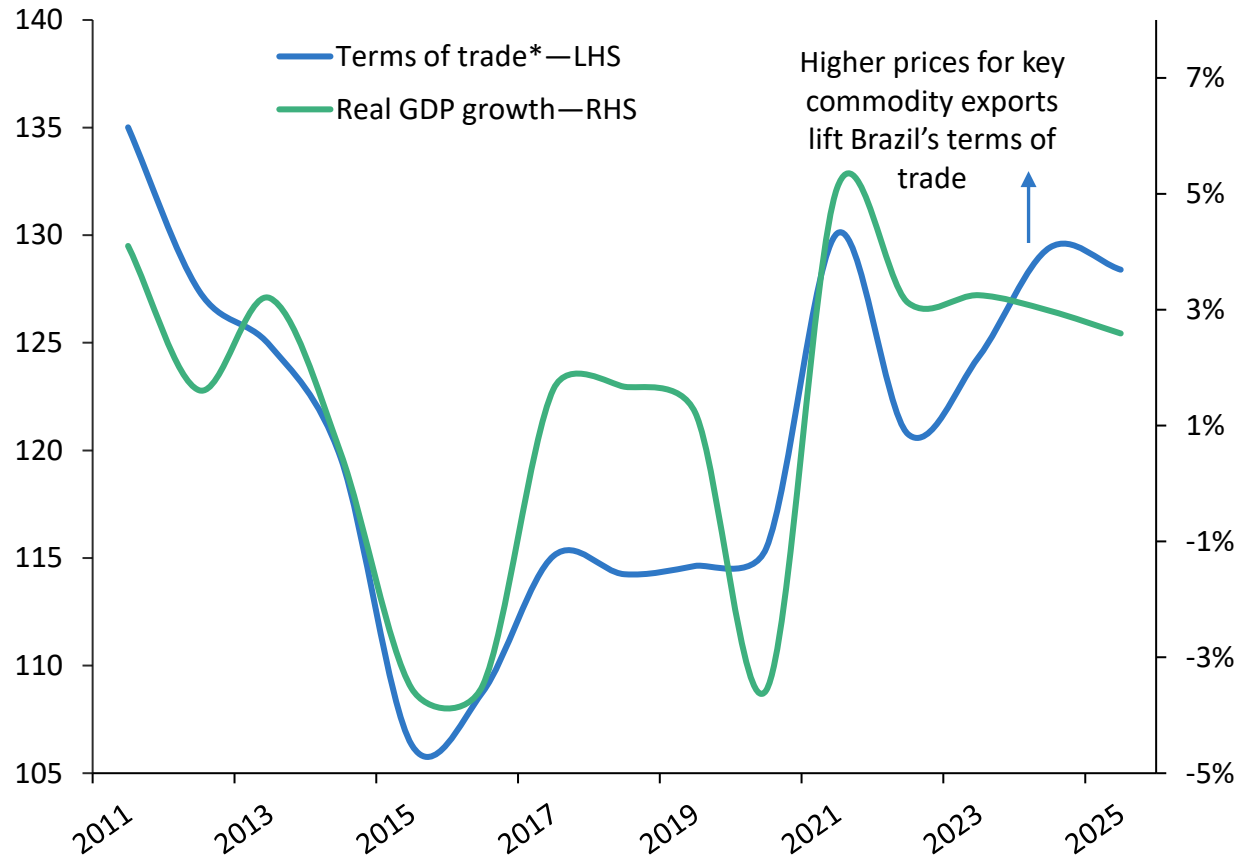
Daniel Benatuil, senior country risk analyst



Terms-of-trade tailwinds support growth but raise inflation risks

Index 2006 = 100

Change from year ago



Brazil's economy is expected to stabilize, growing 1.9% in 2026 and 2% in 2027.

Growth moderation is cushioned by resilient domestic and external demand, supported by loose fiscal policy and expected rate cuts. The Middle East conflict is lifting commodity prices and improving the terms of trade, but a prolonged supply shock could raise inflation and trigger financial market stress.

Brazil's position as a major exporter and its strong commodity outlook underpin resilience to external shocks. The removal of punitive U.S. tariffs, alongside firm global growth and higher commodity prices—especially crude oil—should support external demand in the near term.

Late-2025 stagnation reflected a highly contractionary monetary stance that weighed on domestic demand. The slowdown, together with recent currency appreciation, has eased inflation pressures, supporting the central bank's planned shift toward looser financial conditions. However, rate cuts are likely to be slower than previously expected, given risks that global supply shocks in oil and fertilizers could reignite inflation and increase market volatility.

Consumer spending should be supported by a record-tight labour market and extensive fiscal and para-fiscal measures. Key supports include the new income tax exemption for earnings up to five times the minimum wage and large court-ordered government debt repayments, which should help offset fragile household balance sheets and a modest softening in the labour market. Higher regional and local government spending ahead of the October 2026 elections will also lift growth.

Beyond Middle East-related risks, fiscal risks remain central to Brazil's outlook, contributing to structurally high inflation and borrowing costs that constrain investment and long-term growth. Prospects for highly polarized general elections further increase policy uncertainty.

Sources: Ministry of Development, Industry, Trade and Services, Institute of Geography and Statistics, Haver Analytics, EDC Economics

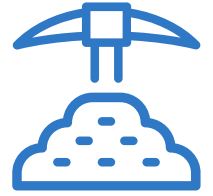
24 Note *: The terms of trade reflects a country's relative competitiveness in international trade and is measured as the relative price between a country's exports and imports



COMMODITY OUTLOOKS

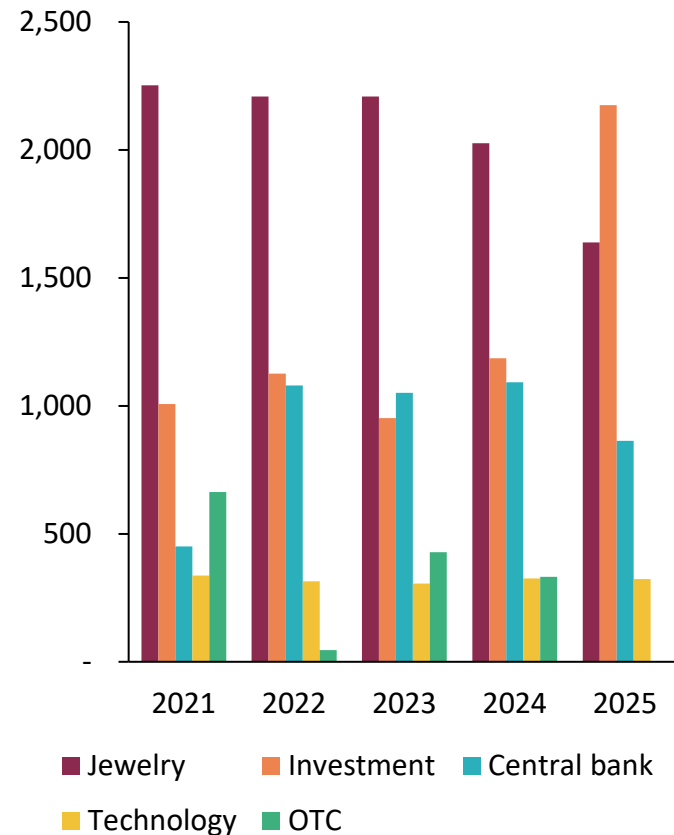
Gold

Karicia Quiroz, economist

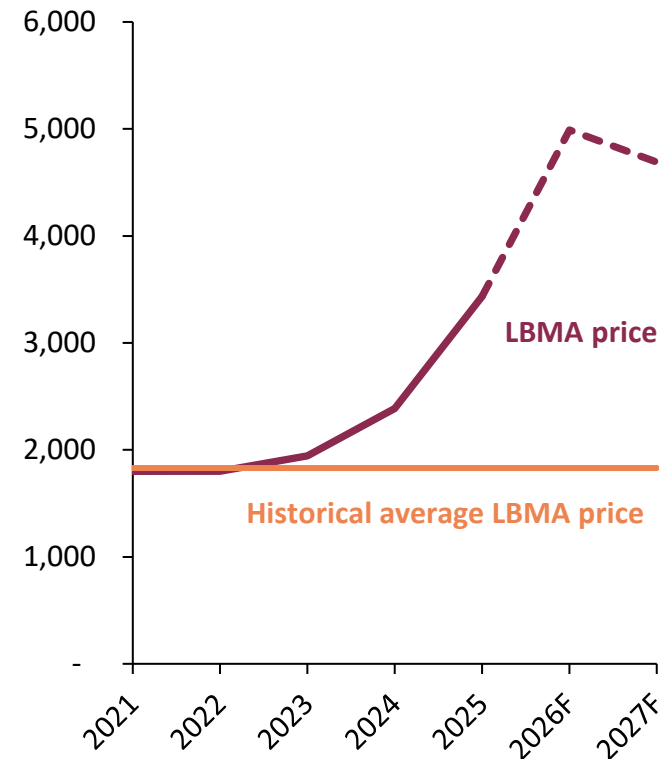


Gold prices hit record highs as investors drive demand

Sources of gold demand (tonnes)



Gold price (US\$ per troy ounce)



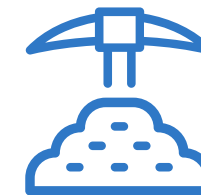
Gold prices reached an average of about US\$3,435 per troy ounce in 2025—the highest annual level on record—from US\$2,387 in 2024.

The surge was driven primarily by investment demand, which accounted for roughly 43% of global gold consumption, supported by strong ETF inflows and increased purchases of bars and coins. As a result, gold prices became more sensitive to investor sentiment, increasing volatility amid geopolitical tensions, inflation risks and trade policy uncertainty. In contrast, jewelry demand and central bank purchases softened as elevated prices weighed on non-investment buying.

Looking ahead, strong safe-haven demand is expected to keep prices elevated through 2026, with gold forecast to average around US\$4,990 per ounce, supported by a late-year U.S. interest-rate cut. As uncertainty eases and high prices curb demand, gold prices are expected to peak in 2026 and gradually decline in 2027, averaging US\$4,689 per ounce. Over time, jewelry demand is expected to regain its traditional role as the primary source of gold demand, while investment-driven volatility moderates.

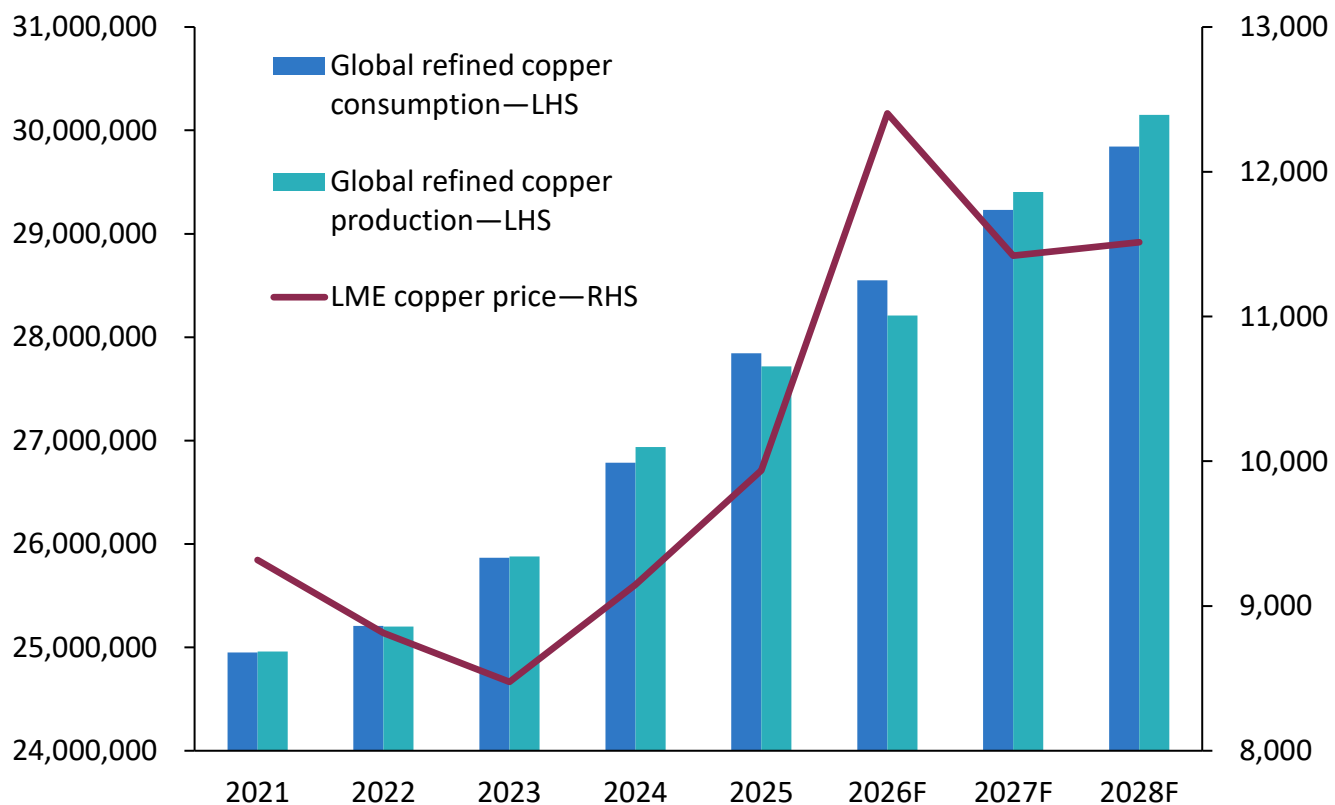
Copper

Karicia Quiroz, economist



Tightening global copper supply-demand balance pushes prices higher

LHS: Tonnes; RHS: US\$ per metric tonne



Tight global copper supply, combined with uncertainty over U.S. trade policy, is supporting elevated copper prices in 2026. Prices surged in late 2025 and reached record levels in early 2026, with the January average topping US\$13,000 per tonne for the first time. For 2026, we forecast an average price of US\$12,403 per tonne, reflecting continued supply constraints despite volatility.

In late 2025, disruptions at major mines and concerns about possible U.S. import tariffs drove large volumes of refined copper into the U.S., pushing domestic prices near record highs and sharply lifting inventories. By late February 2026, global exchange stocks were at their highest level since the early 2000s, largely reflecting precautionary stockpiling rather than weak demand.

The market is expected to remain undersupplied in 2026. Reflecting tight conditions, treatment charges paid by miners to smelters have fallen to zero or turned negative in 2026 contracts. Tariff uncertainty and limited mine output should keep prices volatile, while slower growth in China is expected to cap further gains. By 2027, new supply is expected to ease shortages, bringing average prices down to US\$11,419 per tonne.

Sources: Wood Mackenzie's February 2026 short-term copper outlook, Financial Times/Haver Analytics, EDC Economics.

27 LME=London Metal Exchange. F=forecast

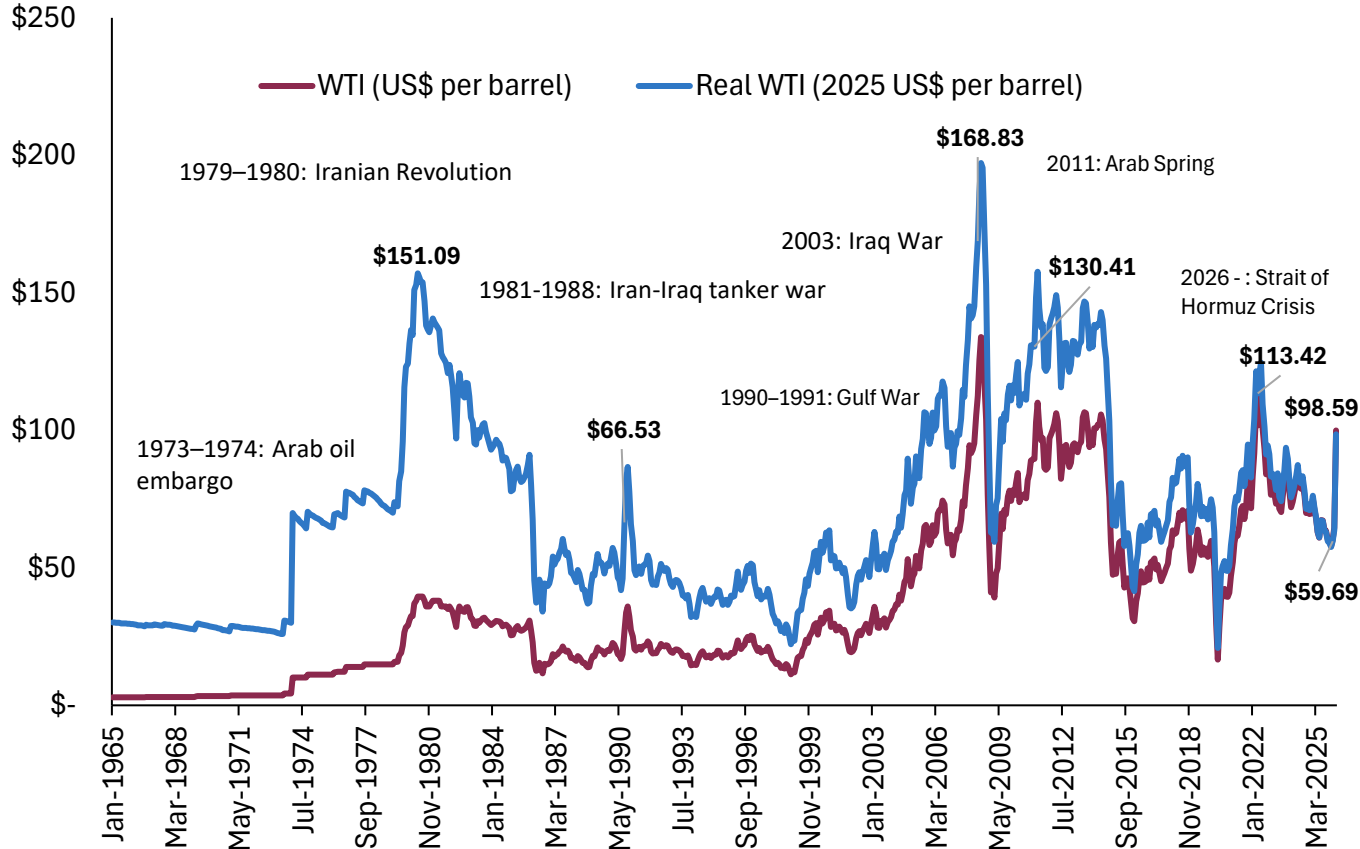
Oil

Zhenzhen Ye, economist



Middle East conflicts and global oil price shocks

US\$ per barrel



Oil prices rose sharply after Iran effectively closed the Strait of Hormuz following joint U.S.–Israel military strikes. Before the conflict, prices averaged about US\$62 per barrel year to date and were trending down amid global oversupply. As hostilities escalated—and Iran targeted commercial shipping and regional oil and gas infrastructure—prices jumped to roughly US\$90 per barrel within the first week.

The Strait of Hormuz is the world’s most critical oil and gas chokepoint, with roughly 20 million barrels per day—about one-fifth of global oil and LNG flows—moving through the route. Historically, it has never been fully blocked, including during the Iran–Iraq “tanker war” and the 1991 Gulf War. Most Gulf producers, including Kuwait, Qatar and Bahrain, lack alternative export routes.

Only Saudi Arabia and the UAE have pipelines that can bypass the Strait, with combined capacity of roughly 8.5 million barrels per day—insufficient to replace normal volumes.

Oil prices are likely to remain highly volatile, driven mainly by the duration and severity of disruptions. If the Strait is mined, restoration would take substantially longer, as clearance operations could delay a return to normal shipping even after hostilities ease.

Source: Haver Analytics, EDC Economics

Note: **Nominal WTI:** Oil price in current U.S. dollars, not adjusted for inflation.

28 **Real WTI:** Nominal price adjusted for inflation, showing oil’s true purchasing-power value over time.

EDC FORECASTS

Annual real GDP growth

Global Economic Outlook						
(Annual % change)	2025	2026 ^F	2027 ^F	2028 ^F	2029 ^F	2030 ^F
Developed countries	1.8	1.8	1.9	1.8	1.7	1.6
Canada	1.7	1.3	1.9	2.1	1.9	1.8
United States	2.1	2.3	2.2	2.2	2.1	2
Eurozone	1.5	1.1	1.5	1.4	1.3	1.2
Germany	0.4	0.4	1.9	1.5	1.1	1.2
France	0.9	1	1.1	1.4	1.2	1.2
Developing countries	4.3	4.2	4.3	4.3	4.1	3.9
China	5.0	4.6	4.5	4.3	4.0	3.8
India	7.6	6.6	6.7	6.8	6.8	6.4
Brazil	2.6	1.9	2	2	1.9	1.9
Mexico	0.8	1.7	2	2.1	1.9	1.7
World	3.2	3.2	3.3	3.3	3.1	3.0

Currencies and interest rates

Global Economic Outlook		2025	2026 ^F	2027 ^F	2028 ^F	2029 ^F	2030 ^F
Currencies	Exchange rate						
U.S. dollar	US\$ per C\$	\$0.72	\$0.74	\$0.74	\$0.75	\$0.76	\$0.77
Euro	US\$ per EUR	\$1.13	\$1.17	\$1.18	\$1.18	\$1.18	\$1.18
Euro	C\$ per EUR	\$1.58	\$1.58	\$1.59	\$1.58	\$1.56	\$1.53
Interest rates, annual average							
Bank of Canada (<i>Overnight target rate</i>)		2.71	2.25	2.25	2.65	2.74	2.75
U.S. Federal Reserve (<i>Fed funds target rate—mid-point</i>)		4.25	3.61	3.18	3.13	3.13	3.12
European Central Bank (<i>Policy interest rate</i>)		2.41	2.15	2.15	1.81	1.75	1.75

Commodity prices

Global Economic Outlook	2025	2026 ^F	2027 ^F	2028 ^F	2029 ^F	2030 ^F
Brent Crude Spot , US\$/barrel (bbl)	\$69.10	\$76.70	\$64.50	\$66.40	\$68.80	\$71.00
West Texas Intermediate , US\$/bbl	\$64.80	\$72.00	\$61.00	\$62.90	\$65.30	\$67.50
Western Canada Select , US\$/bbl	\$53.90	\$53.10	\$46.10	\$49.40	\$51.80	\$54.00
Gold , US\$/troy ounce	\$3,435	\$4,990	\$4,689	\$4,135	\$3,557	\$2,975
Copper , US\$/tonne	\$9,938	\$12,403	\$11,419	\$11,514	\$11,457	\$10,977

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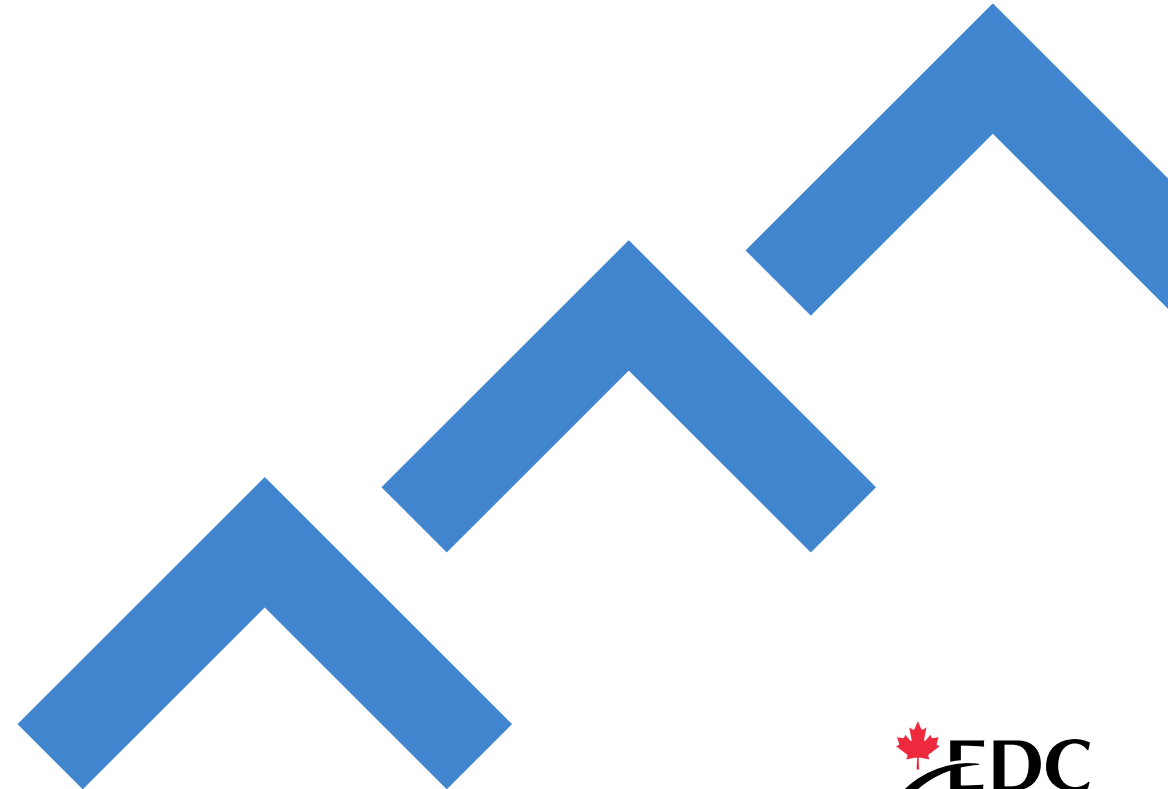
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