Focus

Feature Article

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An Overabundance of Caution?

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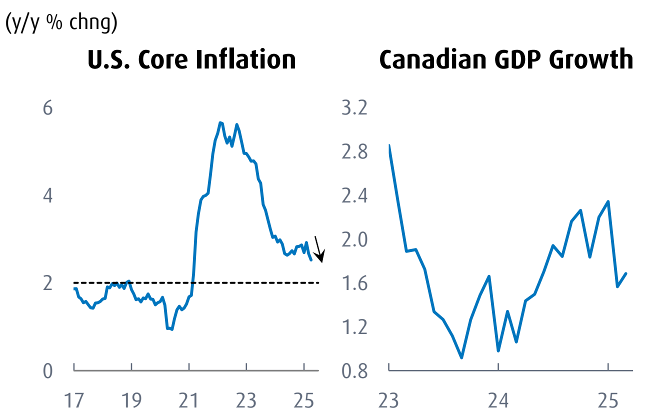
Have we all been too downbeat on the economic outlook in recent months? Using the 'Royal We' there, of course, but the question still holds. Since the trade war rolled into town—early in 2025 for Canada, Mexico, and China, and April for most everyone else—the consensus has been busily marking down the growth forecast for this year and next, while mostly pushing up the core inflation outlook. And, yes, the "consensus" includes us. Meantime, sentiment among businesses and consumers has pretty much fallen off a cliff in North America, with U.S. households especially rattled by the prospect of renewed inflation. Equity markets initially fully shared those concerns, flirting with a 20% drop from February to early April for the S&P 500.

But, famously, stocks did not stay down for long. With the rebound resuming this week, the S&P 500 is now up 18% from the early-April lows. The MSCI All Country Index is up by a similar tally, and managed a monthly gain of more than 5% for May. Initially, many analysts and pundits wondered aloud if the rebound in stocks wasn't getting too far ahead of reality. But, **just as the equity market first sensed the possibility that sentiment had been too downbeat, the economic survey data are beginning to flag the same**. This week saw both major U.S. consumer confidence surveys bounce from the lows in May, with the Conference Board's measure jumping 14%, the biggest monthly increase in four years. The University of Michigan found that consumer inflation expectations had backed down from the mountain in May, albeit holding at high levels (4.2% over the next five years and a whopping 6.6% for the next year).

Chart 1
Tariffs, Where is thy Sting?



Sources: BMO Economics, Haver Analytics, U.S. BEA, Statistics Canada

It's not just the soft data that are improving and/or holding up better than expected. **U.S. growth, while underwhelming, is hardly wilting.** True, jobless claims perked up this past week to 240,000, but the four-week average held fast. And, true, real GDP dipped 0.2% in Q1, but a spike in imports was the driver there. With imports pulling back sharply in April, that quirk will be soon reversed, possibly prompting some to lift Q2 growth estimates—the **Atlanta Fed's** early read was already at a decent 2.2% prior to the helpful trade data, and has now been **lifted to a solid 3.8%**. And while real consumer spending was sluggish in April at +0.1%, the three-month trend of 3.4% a.r. growth is solid. No doubt, housing is heavily challenged by the uncertainty and by 30-year mortgage rates of nearly 7%. So, make no mistake, the economy is not on the verge of breaking out, but a spell of modest growth seems the most likely outcome.

At the same time, **the great tariff inflation scare seems to be everywhere except in the data**. The Fed's closely watched inflation gauge remained very well behaved in the first month of the trade war. The core PCE deflator nudged up just 0.1% m/m in April, following a like-sized rise the prior month. This shaved the annual inflation rate to a mild 2.5% y/y clip, its slowest since March 2021, or back before inflation really got rolling. The overall figure is even better at 2.2% y/y, held down by sinking energy costs. Tariffs, where is thy sting? We have consistently been on the side asserting that the trade war is a bigger threat to growth than inflation, and the very mild price results so far do nothing to alter our contention.

If anything, **the assertion that sentiment has been too downbeat versus reality seems even more compelling in Canada**. The TSX has leaned that way, with the index cruising to a series of record highs this week, before retreating. And the Canadian dollar has snapped back by almost 5% since February. On the one side, confidence was shattered for both consumers and businesses by the multiple trade threats, as well as a burst of political uncertainty in the first four months of 2025. On the other, the economic data have been even sturdier than in the U.S.—at least on headline GDP. In stark contrast to the small U.S. dip in Q1, Canadian growth handily topped estimates with a 2.2% showing, even slightly above the prior quarter. Yes, the details were hardly positive, as final domestic demand actually slipped slightly (-0.1% a.r.), but amid the intense trade uncertainty and a tough winter, the gain was above anyone's forecast. Perhaps even more surprisingly, the flash estimate suggests the economy was still grinding forward in April (+0.1%).

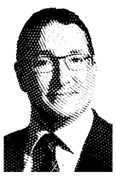
Make no mistake, we have not suddenly become pie-eyed optimists on the Canadian growth outlook. Employment is seeing real signs of strain, especially in manufacturing. The industry survey reported this week that payrolls have dropped 0.2% in the past six months, a much weaker performance than the more widely-followed Labour Force Survey suggests (+0.9%). We continue to look for a mild pullback in GDP in both Q2 and Q3, with business investment and housing bearing the brunt. But, we now expect growth for the full year to be a bit above 1% this year and next, not far from the 1.5% average pace of the past two years.

Supportive fiscal policy is one reason for a less-negative growth outlook: this week's Throne Speech reinforced Ottawa's ambitious agenda for the new Parliament. After actually subtracting from Q1 GDP growth, we look for a fiscal push in coming months. The combined federal/provincial budget deficits are poised to step up this fiscal year by roughly 1% of GDP (or by about $35 billion). Notably, unlike in the U.S., there is precious little concern over the sizeable ramp up in budget deficits, at least at the federal level, because the starting point was reasonable. On cue, Ottawa released its monthly budget figures on Friday, and it revealed that the 12-month rolling deficit eased to $43.2 billion in March from $50.9 billion a year ago. Those are not the final figures, as end-year adjustments can push the overall deficit higher. For the current fiscal year, we look for that overall figure to top $60 billion, or 2% of GDP.

All of this adds up to **a less pressing need for monetary policy to support the economy**. While the Bank will share our concerns over the employment outlook, robust financial markets and surprisingly sturdy GDP growth will provide an offset. Meantime, the back-up of core inflation to above 3% will keep the Bank more cautious, suggesting that rates will be held steady at next week's decision. We continue to believe that this is not the end of the line for rate cuts, but we are **officially pushing back our timing of those trims**, to restart in late July, and perhaps stretching into early next year. We are still circling the likelihood of a 2.0% end-point for the overnight rate, on the view that policy will need to be a bit below the neutral range amid the ongoing trade cloud.

For one brief moment this week it looked like the trade cloud could partially lift, as the U.S. Court of International Trade ruled against the Administration's use of IEEPA tariffs. But reality rushed back in, when an appeals court paused that decision, and amid the near-certainty that alternative tariff workarounds will be unveiled in coming weeks. (And, specifically for Canada, the ruling changed little, as the most onerous sectoral tariffs—on autos, metals—remained untouched.) At the same time, the President fired a warning shot at China, as bilateral talks appear stalled. So before being totally swept up in a tide of optimism, **there's little debate that the heavy trade clouds will linger**, but there is a growing sense that markets and the economy can deal with that uncertainty better than initially expected.

BoC Preview: Fool Me Once Shame on Me, Fool Me Twice…



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It's been four years and four months since both of the Bank of Canada's **core CPI** metrics were at 2% or lower. That's 52 consecutive months of core inflation printing above target, rising as high as 5.7% y/y, with both now sitting above 3%. The economy gained momentum in the back half of 2024, as the Bank of Canada cut rates aggressively amid easing inflation pressure. The January Monetary Policy Report pegged the output gap at -0.25% to -1.25%, narrower than in mid-2024, but theoretically still driving disinflationary pressure. Underlying **inflation** is well off the highs, but remains far from the 2% target. Meantime, the economy is dealing with the extreme uncertainty surrounding the Canada-U.S. **trade** relationship. We're all still piecing together the impact on activity, but there are some early signs that **our forecast for a Q2 contraction isn't too pessimistic**.

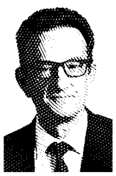
The Bank of Canada has one mandate: 2% inflation. The persistent miss has to be top of mind for policymakers. Inflation **expectations** remain relatively well anchored despite the less-than-ideal inflation performance, but another bout of elevated inflation risks a more durable ramp-up in expectations. The latter has to be the BoC's worst fear, and it will want to avoid that outcome at all cost. What's particularly worrisome about the recent inflation perk-up is that it comes amid a slowdown in shelter costs, a firming Canadian dollar, ebbing wage pressures, and a slowing economy. Those factors should theoretically push inflation lower. Perhaps they will over time, but the Bank cannot be certain of that after misjudging the extent of the inflation pressure in the post-pandemic period. This is a mistake it can't afford to make again, and the main reason **we expect policy rates to be unchanged in June**.

The **economic backdrop** makes an increasingly compelling case to cut. Everyone expects materially weaker growth in Q2, especially after the unexpectedly perky Q1 headline GDP figure. The flash estimate for April GDP was surprisingly firm at +0.1%, but the labour market is showing signs of stress. The payroll survey is particularly weak, with job losses in six of the past 10 months, up just 0.2% y/y (as of March). And that's before the peak tariff uncertainty really hit in April. The unemployment rate matched the cycle high of 6.9% in April, and will likely push higher in the months ahead (though probably not in May). With trade uncertainty still weighing heavily on Canadian businesses and households, we probably haven't seen the full extent of the impact, with a deeper hit anticipated. However, we have yet to see material weakness in the data, leaving policymakers on the sidelines for now.

One wildcard for monetary policy is how the freshly elected **federal government policies** will evolve. The platform projected a modestly stimulative budget and deficit around 2% of GDP (from about 1.6% last year), though we won't get full details until the fall. In the meantime, a small tax cut will start on July 1, boosting Q3 GDP. It appears that larger/broader measures won't come until 2026. But, we could also see some regulatory changes—e.g. faster approvals for infrastructure—which would also help.

Key Takeaway: The Bank of Canada is expected to hold policy at 2.75% for a second straight meeting. Core inflation at 3% and the economy avoiding the worst case scenario (for now) means that policymakers cannot afford to risk their credibility on inflation with a cut at this meeting. However, if growth slows as we expect in Q2 & Q3, look for cuts to resume in the back half of the year.

Tariffs' Take



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The **One Big Beautiful Bill (OBBB)** passed by the House of Representatives is now in the hands of the Senate. Heated horse-trading is anticipated among senators and between chambers as a common bill is crafted in time for July 4. Making the expiring 2017 tax cuts permanent, along with additional net tax reductions and spending cuts, resulted in a cumulative deficit of $3.1 trillion over the next decade, according to the Committee for a Responsible Federal Budget. Keep in mind that this is on top of the baseline deficit profile projected by the Congressional Budget Office, which totals $21.8 trillion out to 2035.

What made this bottom line palatable for some House members was the fact that **the bill didn't consider the revenue stream from tariffs**. A simple calculation shows just how reassuring this could be: a 10% average tariff applied on $3.3 trillion of goods imports (in 2024) generates more than enough cash to cover the cumulative shortfall (other things equal).

Administration officials were touting this calculus to kick off the week to appease the Senate's fiscal hawks and other naysayers. Then, on Wednesday, the U.S. Court of International Trade ruled that President Trump didn't have the authority to levy comprehensive tariffs under the International Emergency Economic Powers Act (IEEPA). This was the justification for the fentanyl/border security duties on Canada, Mexico, and China, along with the 10% universal levy on nearly all nations and the currently postponed reciprocal tariffs on 57 countries. Recall, if the trade deal with the U.K. is any guide, it is the 10% universal levy that would have longevity.

The Administration has already appealed the decision, and the tariffs will continue while the appeal is in process. If the appeal fails, there are other duties that could replace them *(see Sal's Thought)*. However, **none of the other options for the universal tariff are both sweeping and long-lived**. Top on the President's agenda in the America First Trade Policy Memorandum signed on Inauguration Day was establishing a *"global supplementary tariff"*. Getting this off the ground—let alone getting the OBBB through the Senate without major modifications—now looks murkier.

Note that the national security ('Section 232') tariffs on steel and aluminum along with automobiles and parts remain. And already being investigated for similar duties are copper, lumber, pharmaceuticals, and semiconductors. Energy and critical minerals are also on the agenda for future (time-consuming) investigations.

Finally, it's worth noting that in April (the latest data), $15.6 billion ($188 billion annualized) in customs duties were collected. This covered a full month of fentanyl-related and metals tariffs along with a partial month of automotive-related and 10% universal tariffs, in addition to the usual levies. This is up sharply from 2024's $79 billion tally. The latter reflects the Trump 1.0-era tariffs on China and solar cells, along with the International Trade Administration's 755 anti-dumping and countervailing duty orders. **This week, getting well above the $300 billion mark became a taller task.**

Trade War Shifts to the Courts

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Didn't think it was possible, but the trade war just got more complicated. Some may say the potential legal setback could cap the worst-case scenario for tariffs. But others might counter that we are still likely to end up in the same place after going in circles, while the last thing we need is prolonged uncertainty.

On Wednesday, the U.S. Court of International Trade ruled that all tariffs authorized under the **International Emergency Economic Powers Act of 1977** are unlawful and must be withdrawn within ten days. This includes the vast majority of tariffs imposed this year, leaving only those on motor vehicles, steel, and aluminum—authorized under a different trade act. If enforced, the ruling would reduce the average effective tariff rate on U.S. imports from roughly 14% to about 5%, still double the rate at the start of the year. China's levy would remain the highest at around 10% (from previous duties), while many other countries, including Canada, would face low single-digit rates.

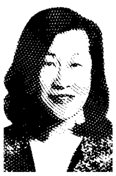
And that's a problem—at least from the perspective of an administration (and Congress) **relying on import taxes to rein in the trade deficit, reshore manufacturing, and fill the budget shortfall**. That's why the White House quickly filed an appeal—which paid off when a federal appeals court allowed the tariffs to remain in effect until it makes a final decision.

But even if the initial ruling is upheld, the **administration has options to restore tariffs**. First, it can appeal to a higher court, including the Supreme Court. Second, it could pursue similar tariffs under other trade acts that grant the President broad unilateral authority over trade policy and are more legally defensible than the IEEPA.

- **Section 232 of the Trade Expansion Act of 1962** is already used to authorize duties on steel, aluminum and autos, and investigations are underway for lumber, copper, medicines, and microchips, and planned for energy and minerals.
- **Section 301 of the Trade Act of 1974** allows for country-specific tariffs in response to unfair trade practices—as used to impose duties on China in 2019.
- **Section 122 of the Trade Act of 1974** permits sweeping tariffs of up to 15% for 150 days (renewable by Congress thereafter) to address large trade deficits—and notably does not require time-consuming investigations. The WSJ says this option is under serious consideration as a stopgap measure.
- **Section 338 of the Tariff Act of 1930** (i.e., Smoot Hawley) authorizes duties of up to 50% on countries that are judged to discriminate against U.S. firms.

Bottom Line: The trade court's ruling might only bring a temporary ceasefire in the trade war. Courts may delay tariffs but are unlikely to derail them. The average tariff rate will likely still land at around 10% or so—a fourfold increase. But the entry of the courts into the trade arena adds a new layer of uncertainty. Legal challenges may simply extend the battle, potentially delaying bilateral talks that were expected to bring some clarity. Until then, there's little urgency to revise up our growth forecast or for the Fed to rush its next policy decision.

ECB Rate Cut Coming



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There are widespread expectations that the **ECB will take the deposit rate down 25 bps on June 5 to 2.00%**, but it is unlikely to be a unanimous decision. There has been scepticism brewing, particularly as the European Union seems to be making positive headway in its trade talks with the U.S. (enough for President Trump to hold off on his 50% tariff threat to July 9 instead of June 1). Confidence is higher, not just given the walk-back, but on expectations that Germany will start to spend much more freely than it has in the past, which will help invigorate the economy. The move to lift defence spending (to 5% of GDP) will also have positive economic spillover effects.

There are differing views among policymakers about whether another rate cut is needed so soon after the April move. **Austria's Robert Holzmann** has already voiced his preference to wait until September, citing that it is a "*risky*" move to go in June, that "*there is no reason*" to act so soon, and that the central bank should "*keep its powder dry*". **The Netherlands' Klaas Knot** feels that the inflation picture is still unclear, and the Governing Council needs clarity before the ECB can move. And, **Executive Member Isabel Schnabel** prefers a "*steady hand*", and warned that tariffs may have disinflationary effects in the short-term, but they "*pose upside risks over the medium term*".

They are likely in the minority. With inflation in both Italy and Spain coming in below target at 1.9% in May, that was enough for **Italy's Fabio Panetta** to declare that "*disinflation… is now close to completion*". **Belgium's Pierre Wunsch** (former hawk… apparently no longer) said that given the shocks and the uncertainty, "*it might warrant to be mildly supportive*". **France's Francois Villeroy de Galhau** was a little more clear: "*…there'll perhaps be more cuts in the coming weeks*".

It will come down to **inflation**, in particular. For May, inflation rates fell below target in **Italy** and **Spain**, while **Germany** just missed hitting the target, but at 2.1%, it is the lowest rate in over half a year. **France's** 0.6% rate is the slowest in 4½ years. That bodes well for the rate cut crowd. And some of the data this week also support that view. For example, German unemployment rose to a 13-year high of nearly 3 mln in May, while the jobless rate held at a 5-year high of 6.3% for the third straight month. Retail sales unexpectedly fell in April, down 1.1% in the month. In other words, the ECB should cut rates 25 bps next week. However, the tone is more important, and that will likely be less dovish/more hawkish.

On a separate note… the rumour mill is running wild with reports that **ECB President Lagarde may announce an early end to her 8-year term** as the head of the ECB (which runs until October 31, 2027). She is being offered the job to lead the World Economic Forum. Question is: who is the obvious replacement? Not sure yet.

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Indications of stronger growth and a move toward price stability are ***good news*** *for the economy.*

	Good News	Bad News
Canada ▪ GDP growth stronger than expected in Q1; June BoC rate cut unlikely ▪ TSX rose to all-time high on Wednesday	**Real GDP** +2.2% a.r. (Q1)—above expectations **Monthly Real GDP** +0.1% (Mar.)—largely driven by mining and oil & gas and **April** flash also positive **Current Account Deficit** narrowed to $2.1 bln (Q1)	**SEPH Employment** -54,126 (Mar.) **Construction Investment** -0.9% (Mar.) **Manufacturing Sales** -2.0% (Apr. A) **Wholesale Trade** -0.9% (Apr. A) **Ottawa's Budget Deficit** narrowed to $43.2 bln (Apr.-to-Mar.)—but still deep
United States ▪ Trade court rules emergency tariffs illegal… ▪ …but tariffs continue as the Administration appeals	**Real Personal Spending** +0.1% (Apr.) **Core PCE Price Index** +0.1% (Apr.) **Goods Trade Deficit** shrank to $87.6 bln (Apr.) **Conference Board Consumer Confidence** +12.3 pts to 98.0 (May) **S&P Case-Shiller Home Price Index** +4.1% y/y; **FHFA Home Prices** +3.7% y/y (Mar.)—slowing **U. of Mich. Consumer Sentiment** revised higher by 1.4 pts to 52.2 (May F)—inflation expectations cool sharply	**Durable Goods Orders** -6.3% (Apr.)—and **Core Orders** fell 1.3% **Initial Claims** +14k to 240k (May 24 week) **Pending Home Sales** -6.3% (Apr.)
China ▪ Trump accuses China of violating tariff agreements	**Industrial Profits** +3.0% y/y (Apr.)	
Japan ▪ Long-term JGB yields back away from recent highs	**Consumer Confidence** +1.6 pts to 32.8 (May) **Retail Sales** +0.5% (Apr.)	**Tokyo Core CPI** +3.5% y/y (May)—highest since January 2023 **Industrial Production** -0.9% (Apr. P)
Europe ▪ U.S. focused on speeding up negotiations with EU on deal ▪ ECB set to cut rates next week as inflation eases	**Euro Area—Economic Confidence** +1.0 pts to 94.8 (May) **Euro Area—ECB 3-yr CPI Expectations** steady at +2.5% y/y (Apr.)—but still elevated **Euro Area—Adjusted Private Sector Credit** picked up 2.7% y/y (Apr.) **Germany—Consumer Prices** +2.1% y/y (May P) **Germany—GfK Consumer Confidence** +0.9 pts to -19.9 (June) **France—Consumer Prices** +0.6% y/y (May P) **France—Consumer Spending** +0.3% (Apr.) —below expected **Italy—Consumer Confidence** +3.8 pts to 96.5 (May)	**Germany—Unemployment** +34,000 (May)—and **Jobless Rate** stuck at 6.3% **Germany—Retail Sales** -1.1% (Apr.)
Other ▪ RBNZ cuts 25 bps to 3.25% ▪ India holds its title as the world's fastest growing economy	**India—Real GDP** +7.4% y/y (Q1) **Brazil—Real GDP** +1.4% q/q (Q1)	**Australia—Consumer Prices** stuck at +2.4% y/y (Apr.)—and Trimmed Mean picked up to 2.8% y/y **Australia—Retail Sales** -0.1% (Apr.)

Surveying the Provincial Landscape

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The trade war threatens to drive a wedge between economic performance in provinces with high and low exposure to U.S. trade. At the same time, a new federal government is expected to push through various policy measures that will impact the provincial landscape in the coming years.

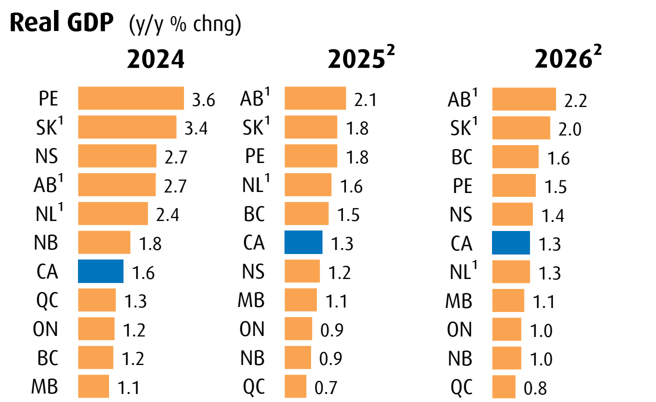
Canadian economic growth is expected to struggle this year as the uncertainty surrounding the trade war, and the reality of any U.S. tariffs, bites confidence and business investment. BMO Economics is forecasting 1.3% real GDP growth in 2025, down from 1.6% in 2024. A modest contraction in the economy can't be ruled out through the middle stages of the year, before growth rises back toward potential through 2026. As of the time of writing, the tariff situation between the U.S. and Canada is still evolving, so some forecast revisions should be expected. On the positive side, past Bank of Canada easing continues to filter through the economy and interest rates should fall gradually further through the rest of the year. And, a significant wave of federal fiscal stimulus will begin to roll out, including income tax cuts and hefty infrastructure spending.

Almost all provinces are expected to see growth slow in 2025 (*Chart 1*), but **the regional disparity will widen**. Alberta and Saskatchewan are expected to lead with growth at around 2%. Demographic flows and housing activity are solid, and the tariff impact on energy exports will be low. British Columbia is also relatively sheltered and should expand 1.5%, carrying the lowest U.S. export exposure in Canada—more B.C. trade flows to Asia.

Ontario, Quebec and Manitoba will certainly feel the impact of the trade war, posting growth around 1%. These provinces carry high exposure to U.S. exports (*Chart 2*) across a range of diverse manufacturing industries, autos, steel (Ontario) and aluminum (Quebec). Indeed, even as tariffs broadly have been walked back from the worst threats, those on autos, steel & aluminum remain. At the same time, Southern Ontario remains in the grips of a housing correction, which lower mortgage rates have yet to relieve. A glut of condo supply is now pulling down both prices and rents, when combined with slower population growth.

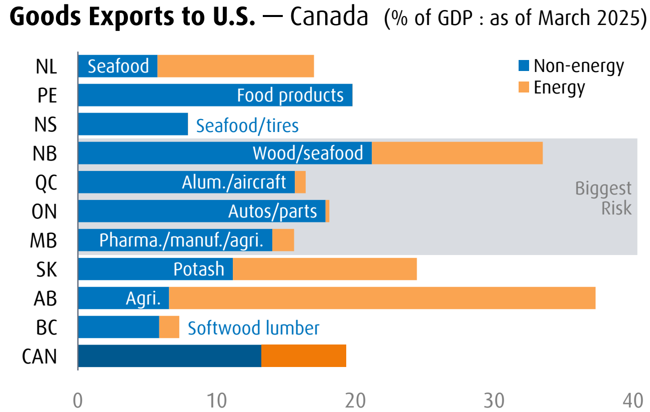
Finally, Atlantic Canada could look more mixed this year, with a few pockets of varying industry trade exposure. That said, the region is still catching up to torrid population growth even if that will slow sharply this year, and the 'Buy Canadian' movement could drive domestic tourism activity this summer. Growth in the region is expected to land in the 1.0%-to-1.5% range.

Chart 1
Canada's Regional Outlook



Sources: BMO Economics, Haver Analytics *[1] oil producers; [2] forecast*

Chart 2
Provincial Exposure to U.S. Exports



Sources: BMO Economics, Haver Analytics, Statistics Canada

Budget Season in the Books

All provincial governments have now published their 2025 budgets, and the general trend is toward a deterioration in fiscal balances, along with robust borrowing programs. The combined provincial budget deficit is on track to widen to $45.0 billion (1.4% of GDP) in FY25/26 from $20.1 billion in FY24/25 (*Chart 3*). While that is still very manageable, it marks a **fourth straight year of deterioration** and is the deepest (non-pandemic) shortfall as a share of GDP in 13 years.

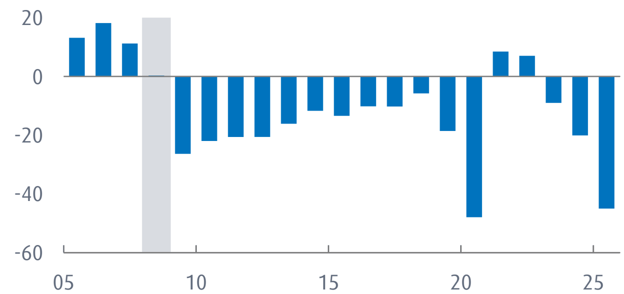
Revenue growth, which had been robust thanks to the post-pandemic recovery and high inflation, has cooled amid softer economic growth. Meantime, program spending growth remains firm, partly reflecting upward pressure on public sector wages, while interest costs are also on the rise. Torrid population growth has also stressed infrastructure, necessitating large capital spending programs. And, this is not isolated: every province in Canada, with the exception of Saskatchewan, is forecasting a deficit for this fiscal year (*Table 1*).

It's also worth noting that every province has taken a somewhat different approach to **accounting for the impact of the trade war**. Many have built some form of tariffs into their outlook (Alberta, Ontario, Quebec, Nova Scotia and Newfoundland & Labrador), while others have ignored them; some have built in larger contingencies, while others have built in none. As a group, there is more than $12 billion worth of explicit forecast allowances underlying the FY25/26 deficit. That should keep the downside risk to the current combined provincial budget deficit relatively modest.

Total borrowing requirements are currently pegged at a hefty $139 billion for FY25/26. In addition to operating deficits, provinces almost across the board are **funding large capital expenditures**. In some cases, credit rating agencies have taken notice, with the post-pandemic wave of upgrades now turning the opposite direction, albeit in only limited cases at this point.

Chart 3
Deeper into Deficit

Canadian Provinces (C$ blns)
Net Budget Balance[1]



Shading marks Canadian recession; [1] year as fiscal start
Sources: BMO Economics, Haver Analytics, provincial budgets

Table 1
Fiscal Fundamentals

	Budget Balance ($ mlns)		Budget Balance (% of GDP)		Net Debt (% of GDP)	
	24/25	25/26f	24/25	25/26f	24/25	25/26f
B.C.	-9,135	-10,912	-2.1	-2.5	20.8	25.1
Alta.	5,760	-5,211	1.2	-1.1	7.7	8.9
Sask.	-661	12	-0.6	0.0	14.1	14.7
Man.	-1,239	-794	-1.3	-0.8	36.3	37.1
Ont.	-5,996	-14,610	-0.5	-1.2	36.8	38.2
Que.	-8,078	-11,430	-1.3	-1.8	38.9	40.6
N.B.	-399	-599	-0.8	-1.2	25.7	26.4
N.S.	82	-897	0.1	-1.4	31.6	34.6
P.E.I.	-166	-184	-1.6	-1.6	28.7	31.8
Nfld.	-252	-372	-0.6	-0.9	44.4	44.8
Total [1]	**-20,084**	**-44,996**	**-0.7**	**-1.4**	**29.2**	**31.0**

Sources: BMO Economics, provincial budgets *[1] all provinces*

Post-Election Landscape

With the federal election now wrapped up, we can layer on a few more themes that could impact provincial growth and finances in the coming years:

Political stability: Ontario settled on another majority PC mandate earlier in the year, leaving Newfoundland & Labrador the lone province still to go to the polls in 2025 (November 24). Even with a minority mandate at the federal level, and no budget expected until the Fall, we believe the Liberal government is strong enough that it will be able to govern largely as planned in the year ahead. Quebec (October 2026) is the next big one to watch.

Federal spending surge: The Liberal platform was loaded with roughly $20 billion of infrastructure spending over four years that could filter down to the provincial level. That includes transportation and trade infrastructure, the electricity grid, health care and community infrastructure. Even if not fully through direct transfers, those outlays will take incremental pressure off rising provincial borrowing for the same purposes—and there is a lot of it.

Defence boom: All major parties committed to raising Canadian defence spending to 2% of GDP. The national defence footprint is highest in absolute terms in Ontario and Quebec but, in relative terms, Nova Scotia could be a big beneficiary. Proportionally, that province sees the largest military/defence footprint as a share of GDP in Canada, and it also has significant naval/shipbuilding infrastructure.

Population caps: Most parties supported a more sustainable immigration framework, and the Liberal platform will follow through with changes already implemented ahead of the election. That is, the share of nonpermanent residents in Canada is targeted to fall from above 7% to 5% in the coming years. Population growth has already fallen significantly, to 1.8% y/y (1% annualized quarter-over-quarter) at the turn of the year, from above 3%. Ontario and British Columbia, with the largest nonpermanent resident shares, are seeing the most significant slowdown (*Table 2*), while Alberta continues to draw in significant interprovincial migrants. In fact, Alberta's relatively low nonpermanent resident, and strong interprovincial inflows, leave population growth still running at 3.5%, even as all other provinces have fallen below the 2% mark.

Table 2

Population Slowdown Underway

Contributions to population growth — 2024Q4 (ppts)

	International				
	Perm. residents	Nonperm. residents	Interprov. migration	Net births	Total[1]
CA	**1.1**	**0.7**	**0.0**	**0.0**	**1.8**
BC	0.9	0.8	-0.1	0.0	1.7
AB	1.2	1.2	0.7	0.3	3.5
SK	1.8	0.4	-0.4	0.1	1.9
MB	1.5	0.4	-0.2	0.2	1.9
ON	1.1	0.4	-0.1	0.1	1.5
QC	0.6	1.1	0.0	0.0	1.7
Atl	1.5	0.1	0.1	-0.4	1.2

[1] may not add up due to rounding

Sources: BMO Economics, Haver Analytics, Statistics Canada

An 'energy superpower': That was the tagline in the Liberal platform, but the focus of investment dollars and incentives was almost entirely on clean/renewable energy. This will arguably be a win for provinces like Quebec and B.C. (vast hydroelectric resources) and Ontario (recent investments in critical minerals and batteries), even as the EV market has cooled. Alberta's traditional oil & gas sector is on the other end of this trade, and the tone in the next few months of the new mandate will be critical in keeping provincial sentiment from fracturing further—early talk has been supportive.

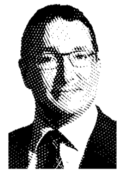
Provincial trade barriers and labour mobility: Look for the federal government to act quickly to remove federal barriers to interprovincial trade and push for easier labour mobility. This is low-hanging productivity fruit and, while the economic impact is likely overstated, it remains a cheap and unambiguously positive area of pro-growth policy change. Meantime, continued progress toward mutual recognition (licences and credentials) in the labour market would ease the movement of labour between provinces. It just so happens that uniform economic conditions now have created the lowest provincial jobless rate dispersion since at least the early-1970s, but that won't always be the case given varying economic exposure across the group—a prolonged trade war, for example, would begin to fracture relative performance.

Economic Forecast Summary for May 30, 2025

		2024				2025				Annual		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026
CANADA												
Real GDP	(q/q % chng : a.r.)	2.1	2.5	2.4	2.1	2.2	-0.5 ↑	-0.5 ↑	1.0	1.6	1.3 ↑	1.3 ↑
Consumer Price Index	(y/y % chng)	2.8	2.7	2.0	1.9	2.3	1.9	1.9	1.8	2.4	2.0	2.0
Unemployment Rate	(percent)	5.9	6.3	6.5	6.7	6.6	7.1	7.6	7.7	6.4	7.3	7.5
Housing Starts	(000s : a.r.)	244	250	238	248	223	240	228	228	245	230	225
Current Account Balance	($blns : a.r.)	-9.2	-21.3	-11.5	-14.2	-8.5	-17.2 ↑	-22.6 ↑	-27.8 ↑	-14.1	-19.0 ↑	-30.0 ↑
Interest Rates						(average for the quarter : %)						
Overnight Rate		5.00	4.92	4.42	3.58	2.92	2.75 ↑	2.50 ↑	2.25 ↑	4.48	2.60 ↑	2.00
3-month Treasury Bill		4.94	4.81	4.27	3.46	2.85	2.65 ↑	2.50 ↑	2.25 ↑	4.37	2.55 ↑	1.95
10-year Bond		3.43	3.58	3.14	3.21	3.12	3.20 ↑	3.15 ↑	3.10 ↑	3.34	3.15 ↑	2.90 ↑
Canada-U.S. Interest Rate Spreads						(average for the quarter : bps)						
90-day		-52	-66	-95	-112	-149	-172 ↑	-184	-180 ↓	-53	-171 ↑	-146 ↓
10-year		-73	-87	-80	-107	-133	-119 ↑	-115 ↑	-110 ↑	-87	-119 ↑	-98 ↑
UNITED STATES												
Real GDP	(q/q % chng : a.r.)	1.6	3.0	3.1	2.4	-0.2	1.0	1.0	1.1	2.8	1.3	1.4
Consumer Price Index	(y/y % chng)	3.2	3.2	2.7	2.7	2.7	2.5	3.2	3.5	3.0	3.0	3.0
Unemployment Rate	(percent)	3.8	4.0	4.2	4.2	4.1	4.3	4.6	4.8	4.0	4.5	5.0
Housing Starts	(mlns : a.r.)	1.42	1.34	1.34	1.39	1.40	1.38	1.40	1.40	1.37	1.40	1.42
Current Account Balance	($trlns : a.r.)	-0.97	-1.11	-1.24	-1.22	-1.46	-1.28 ↓	-1.27 ↓	-1.29 ↓	-1.13	-1.33 ↓	-1.31 ↓
Interest Rates						(average for the quarter : %)						
Fed Funds Target Rate		5.38	5.38	5.21	4.63	4.38	4.38	4.29 ↑	4.04 ↑	5.15	4.27 ↑	3.42 ↑
3-month Treasury Bill		5.45	5.47	5.22	4.58	4.34	4.35	4.30 ↑	4.05 ↑	5.18	4.25 ↑	3.40 ↑
10-year Note		4.16	4.44	3.95	4.28	4.45	4.35	4.30 ↑	4.20 ↑	4.21	4.35 ↑	3.90 ↑
EXCHANGE RATES						(average for the quarter)						
US¢/C$		74.2	73.1	73.3	71.5	69.7	72.0 ↑	72.6 ↑	73.0 ↑	73.0	71.8 ↑	74.2 ↑
C$/US$		1.35	1.37	1.36	1.40	1.43	1.39	1.38 ↓	1.37 ↓	1.37	1.39 ↓	1.35 ↓
¥/US$		149	156	149	152	152	145	144	142	151	146	141
US$/Euro		1.09	1.08	1.10	1.07	1.05	1.13 ↑	1.14 ↑	1.15	1.08	1.12 ↑	1.17
US$/£		1.27	1.26	1.30	1.28	1.26	1.33 ↑	1.34	1.35	1.28	1.32	1.36

Blocked areas mark BMO Capital Markets forecasts; up and down arrows (↑↓) indicate forecast changes; spreads may differ due to rounding

Canada



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Labour Productivity
Wednesday, 8:30 am

Q1 (e)	**+0.1%**
Q4	+0.6%

Canadian **labour productivity** is expected to edge up 0.1%, extending a year-long run of increases as growth in hours worked outpaced by real GDP. This topic has come under a renewed spotlight given the uncertain trade environment, especially as Canada's productivity growth lags the U.S. pace. While the underperformance provides an opportunity for Canadian businesses to make productivity-enhancing investments, it can also act as an obstacle to attracting business investment from outside Canada. — S.K.

BoC Policy Announcement
Wednesday, 9:45 am
Press conference at 10:30 am

See Benjamin Reitzes' Thought on page 4.

Merchandise Trade Balance
Thursday, 8:30 am

Apr. (e)	**-$1.5 bln**
Mar.	-$0.5 bln

Canada's **merchandise trade** deficit is expected to deepen in April. As auto tariffs came into effect, a number of plants announced temporary closures that will weigh on imports and exports, as reflected in a negative manufacturing flash for the month. Lower oil prices will also dampen the value of energy exports, and a firmer loonie will lower the value of USD-denominated imports and exports. Given the numerous price swings, we'll be watching trade volumes closely to get a better read of the initial response to tariffs. — S.K.

Employment
Friday, 8:30 am

May (e)	**-0.2% (-40,000)**
Consensus	*-0.1% (-17,500)*
Apr.	unch (+7,400)

Unemployment Rate

May (e)	**6.9%**
Consensus	*7.0%*
Apr.	6.9%

Average Hourly Wages

May (e)	**+3.2% y/y**
Apr.	+3.4% y/y

Uncertainty continued to weigh on the economy in May, even if peak tariff fear was in April. Canada still faces tariffs on steel, aluminum, autos and non-USMCA-compliant goods. Beyond the sectors directly impacted, the uncertainty around the trade relationship with the U.S. likely prompted hiring to dry up. The reversal of the prior month's election-related hiring (public administration surged 37.1k) will also weigh heavily on May. Indeed, our call for a 40k drop in **employment** suggests just a mild decline in underlying employment. Despite the steep anticipated decline in jobs, we're looking for a similar pullback in the labour force, keeping the **jobless rate** steady at 6.9%. Hours worked likely also softened in the month, consistent with our call for a contraction in Q2 GDP. Finally, momentum in wages is expected to continue slowing. One additional aspect of this report to consider is that the recent slump in hiring could provide an early glimpse into the trajectory for business investment. The correlation isn't always high, but it's not a stretch to believe that the businesses that are reluctant to hire are probably also reluctant to increase investment. Q1's GDP report provided a limited glimpse of the latter, which likely deepened in Q2. — B.R.

United States

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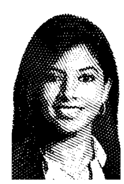

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ISM Manufacturing PMI
Monday, 10:00 am

May (e)	**48.5**
Consensus	*49.2*
Apr.	48.7

The **ISM Manufacturing Index** looks to slip further in contractionary terrain, by 0.2 pts to 48.5 in May. Production is expected to falter after plunging over the prior three months, while new orders and employment likely contracted as factories continue to face major headwinds. Meanwhile, prices paid for materials look to stay elevated after surging to concerning heights. Despite the general economy holding up, the manufacturing sector looks to struggle as sentiment deteriorates on trade uncertainty. — P.T.

ISM Services PMI
Wednesday, 10:00 am

May (e)	**52.0**
Consensus	*52.0*
Apr.	51.6

The **ISM Services Index** looks to edge up to 52.0 in May, suggesting a moderate expansion for the services sector amid still-strong consumer spending. While business activity and new orders are expected to stay in the expansion zone, we'll be looking for any improvement in the employment sub-index. It has held below the 50-mark for two straight months as labour market conditions moderated. Meanwhile, prices paid for materials and labour likely stayed near a two-year high amid lingering inflationary pressures. That will likely keep the Fed on the sidelines for a while longer. — P.T.

Beige Book
Wednesday, 2:00 pm

The last time the Fed canvassed regional business contacts (in April), they cast a gloomy spell on the economic outlook by foreshadowing tariff trouble. "*Uncertainty around international trade policy was pervasive across reports*" and four Districts reported "*slight to modest declines*" in activity. This suggested that the trade war was sapping the economy's momentum. The updated **Beige Book** could reveal whether recent moves to dial down tariffs and trade tensions are having a more constructive effect on sentiment. In April, most businesses planned to pass higher import costs to customers, though some worried about losing sales. With the Fed awaiting greater clarity on trade policies and their impact on inflation and growth, the odds of a rate cut at the June 17-18 meeting remain low. — S.G.

Goods & Services Trade Deficit
Thursday, 8:30 am

Apr. (e)	**$69.0 bln**
Mar.	$140.5 bln

Talk about volatility in the data. The **U.S. goods and services trade deficit** likely halved to $69 billion in April from a record-high $140.5 billion in March. Advance figures on goods trade showed a fourth straight monthly increase in exports, but the real showstopper was a record 19% plunge in imports after hefty tariffs took effect, notably on China. This was also payback from earlier tariff front-running. By contrast, the trade surplus in services could get squeezed by a decline in international visits. Goods imports should rebound in May on concern that the 90-day pause on reciprocal duties won't get extended, and with China's 125% reciprocal duty temporarily slashed to 10% earlier this month. Net exports carved a record 4.9 ppts from annualized real GDP growth in Q1, driving most of the overall slight decline, but a partial reversal should support a return to positive, albeit moderate, growth in Q2. — S.G.

Nonfarm Payrolls
Friday, 8:30 am

May (e)	**+125,000**
Consensus	*+130,000*
Apr.	+177,000

Unemployment Rate

May (e)	**4.2%**
Consensus	*4.2%*
Apr.	4.2%

Average Hourly Earnings

May (e)	**+0.3%**	**+3.7% y/y**
Consensus	*+0.3%*	*+3.7% y/y*
Apr.	+0.2%	+3.8% y/y

Nonfarm payroll growth is forecast to moderate to 125k in May from 177k in April as tariff uncertainty and slower consumer spending growth weigh on employers' willingness to hire. If realized, that would be the slowest pace of monthly job gains since February. The 4-week average of initial jobless claims moved up gradually in May, from 226k at the end of April to 231k in the last week of May, and now sits above its 12-month average of 227k. Continuing claims jumped to 1,919k during the week of May 16th—its highest since November 2021—as it gets harder for unemployed people to find new jobs. Even so, the **unemployment rate** is expected to hold steady near its full-employment level at 4.2%. Average hourly earnings are forecast to increase at a steady 0.3% pace with year-on-year growth slowing slightly to 3.7%. Average hours worked look to remain at 34.3. Demand for labour appears to be moderating, but is not yet falling off a cliff, giving the Fed some time to gauge the impact of shifting tariff policies on company pricing and hiring plans. — S.A.

Financial Markets Update for May 30, 2025

		May 30 [1]	May 23	Week Ago	4 Weeks Ago	Dec 31, 2024
					(basis point change)	
Canadian	Call Money	2.75	2.75	0	0	-50
Money Market	Prime Rate	4.95	4.95	0	0	-50
U.S. Money	Fed Funds (effective)	4.50	4.50	0	0	0
Market	Prime Rate	7.50	7.50	0	0	0
3-Month Rates	Canada	2.64	2.64	0	0	-52
	United States	4.34	4.33	1	3	3
	Japan	0.40	0.37	3	-1	19
	Australia	3.71	3.72	-1	-15	-69
2-Year Bonds	Canada	2.60	2.70	-9	4	-33
	United States	3.91	3.99	-8	8	-33
10-Year Bonds	Canada	3.20	3.35	-15	3	-2
	United States	4.40	4.51	-11	9	-17
	Japan	1.49	1.53	-4	23	40
	Germany	2.51	2.57	-6	-3	14
	United Kingdom	4.65	4.68	-3	14	8
	Australia	4.26	4.42	-16	4	-10
Risk Indicators	VIX	19.1	22.3	-3.2 pts	-3.6 pts	1.8 pts
	Inv. Grade CDS Spread [2]	56	60	-3	-8	6
	High Yield CDS Spread [2]	353	371	-17	-40	41
					(percent change)	
Currencies	US¢/C$	72.75	72.83	-0.1	0.5	4.6
	C$/US$	1.375	1.373	—	—	—
	¥/US$	144.09	142.56	1.1	-0.6	-8.3
	US$/€	1.1354	1.1362	-0.1	0.5	9.7
	US$/£	1.348	1.354	-0.4	1.6	7.7
	US¢/A$	64.34	64.88	-0.8	0.0	4.0
Commodities	CRB Futures Index	290.76	296.66	-2.0	0.2	-2.0
	Oil (generic contract)	60.21	61.53	-2.1	3.3	-16.0
	Natural Gas (generic contract)	3.46	3.73	-7.2	-4.8	-4.9
	Gold (spot price)	3,291.68	3,357.51	-2.0	1.6	25.4
Equities	S&P/TSX Composite	26,161	25,880	1.1	4.5	5.8
	S&P 500	5,904	5,803	1.7	3.8	0.4
	Nasdaq	19,047	18,737	1.7	5.9	-1.4
	Dow Jones Industrial	42,119	41,603	1.2	1.9	-1.0
	Nikkei	37,965	37,160	2.2	3.1	-4.8
	Frankfurt DAX	24,013	23,630	1.6	4.0	20.6
	London FT100	8,773	8,718	0.6	2.1	7.3
	France CAC40	7,758	7,734	0.3	-0.2	5.1
	S&P ASX 200	8,435	8,361	0.9	2.4	3.4

[1] = as of 11:45 am *[2] = One day delay*

	Monday June 2	Tuesday June 3	Wednesday June 4	Thursday June 5	Friday June 6
China	**PMI[D] Mfg. Non-mfg.** **May (e) 49.5 50.5** Apr. 49.0 50.4 **PMI[D] Composite** **May** Apr. 50.2 **Markets closed**	**Caixin Manufacturing PMI** **May (e) 50.7** Apr. 50.4		**Caixin Services PMI Composite** **May (e) 51.1 n.a.** Apr. 50.7 51.1	**Foreign Reserves[D]** **May** Apr. $3.3 trln
Japan	**Capital Spending** **Q1 (e) +3.8% y/y** Q4 -0.2% y/y **Manufacturing PMI** **May F (e) 49.0** Apr. 48.7		**Services PMI Composite** **May F (e) 50.8 49.8** Apr. 52.4 51.2	**Real Cash Earnings** **Apr. (e) -1.4% y/y** Mar. -1.8% y/y	**Household Spending** **Apr. (e) +1.5% y/y** Mar. +2.1% y/y
Europe	**EURO AREA** **Manufacturing PMI** **May F (e) 49.4** Apr. 49.0 **UNITED KINGDOM** **Manufacturing PMI** **May F (e) 45.1** Apr. 45.4	**EURO AREA** **Consumer Price Index** **May P (e) unch +2.0% y/y** Apr. +0.6% +2.2% y/y **Core CPI Services** **May P (e) +2.4% y/y n.a.** Apr. +2.7% y/y +4.0% y/y **Jobless Rate** **Apr. (e) 6.2%** Mar. 6.2% **ITALY** **Jobless Rate** **Apr. (e) 6.1%** Mar. 6.0%	**EURO AREA** **Services PMI Composite** **May F (e) 48.9 49.5** Apr. 50.1 50.4 **UNITED KINGDOM** **Services PMI Composite** **May F (e) 50.2 49.4** Apr. 49.0 48.5	**EURO AREA** **ECB Monetary Policy Meeting** **GERMANY** **Factory Orders** **Apr. (e) -1.0% +2.4% y/y** Mar. +3.6% +3.8% y/y **ITALY** **Retail Sales** **Apr.** Mar. -0.5% -2.8% y/y **UNITED KINGDOM** **DMP 1 Year CPI Expectations** **May (e) +3.2% y/y** Apr. +3.1% y/y	**EURO AREA** **Retail Sales** **Apr. (e) +0.2% +1.6% y/y** Mar. -0.1% +1.5% y/y **Real GDP** **Q1 T (e) +0.4% +1.2% y/y** Q1 S +0.3% +1.2% y/y Q4 +0.2% +1.2% y/y **GERMANY** **Industrial Production** **Apr. (e) -1.0% -1.0% y/y** Mar. +3.0% -0.2% y/y **Trade Surplus** **Apr. (e) €20.0 bln** Mar. €21.1 bln **FRANCE** **Trade Deficit** **Apr.** Mar. €6.2 bln **Industrial Production** **Apr. (e) unch -0.3% y/y** Mar. +0.2% +0.2% y/y
Other	Saturday May 31 **OPEC+ Meeting**	**AUSTRALIA** **RBA Minutes from May 20 meeting**	**AUSTRALIA** **Real GDP** **Q1 (e) +0.4% +1.5% y/y** Q4 +0.6% +1.3% y/y	**AUSTRALIA** **Trade Surplus** **Apr. (e) A$6.0 bln** Mar. A$6.9 bln **Household Spending** **Apr. (e) +0.2% +3.5% y/y** Mar. -0.3% +3.5% y/y	**INDIA** **RBI Monetary Policy Meeting**

[D] = date approximate

Upcoming Policy Meetings | Bank of England: June 19, Aug. 7, Sep. 18 | European Central Bank: July 24, Sep. 11, Oct. 30

North American Calendar — June 2–June 6

Canada

Monday June 2

9:30 am	**S&P Global Manufacturing PMI**
May	
Apr.	45.3
Auto Sales[D]	
May	
Apr.	+10.2% y/y

Tuesday June 3

10:30 am	3-, 6- & 12-month bill auction $27.0 bln (new cash -$2.6 bln)
11:15 am	Cash management bond buybacks $0.5 bln
Noon	1-month bill auction $2.5 bln

Wednesday June 4

8:30 am	**Labour Productivity**
Q1 (e)	**+0.1%**
Q4	+0.6%
9:30 am	**S&P Global Services PMI**
May	
Apr.	41.5
9:45 am	**BoC Policy Announcement; press conference at 10:30 am**

Thursday June 5

8:30 am	**Merchandise Trade Balance**
Apr. (e)	**-$1.5 bln**
Mar.	-$0.5 bln
12:20 pm	**BoC Deputy Governor Kozicki speaks in Toronto**
Noon	5-year bond auction $5.25 bln
2-year bond auction announcement	

Friday June 6

8:30 am	**Employment**
May (e)	**-0.2% (-40,000)**
Consensus	*-0.1% (-17,500)*
Apr.	unch (+7,400)
8:30 am	**Unemployment Rate**
May (e)	**6.9%**
Consensus	*7.0%*
Apr.	6.9%
8:30 am	**Average Hourly Wages**
May (e)	**+3.2% y/y**
Apr.	+3.4% y/y

United States

Monday June 2

9:45 am	**S&P Global Manufacturing PMI (May F)**	
10:00 am	**ISM Manufacturing PMI**	
May (e)	**48.5**	
Consensus	*49.2*	
Apr.	48.7	
10:00 am	**Construction Spending**	
Apr. (e)	**+0.3%**	
Consensus	*+0.4%*	
Mar.	-0.5%	
Autodata Total Vehicle Sales[D]		
May (e)	**16.5 mln a.r.**	
Consensus	*16.4 mln a.r.*	
Apr.	17.3 mln a.r.	
1:00 pm	**Fed Chair Powell gives opening remarks at International Finance Division conference**	
Fed Speakers: Dallas' Logan (10:15 am); Chicago's Goolsbee (12:45 pm)		
11:30 am	13- & 26-week bill auctions $144 bln	

Saturday May 31

OPEC+ Meeting

Sunday June 1

Fed Speaker: Governor Waller (8:00 pm)

Tuesday June 3

10:00 am	**Factory Orders**
Apr. (e)	**-3.2%**
Consensus	*-3.1%*
Mar.	+3.5%
10:00 am	**Job Openings & Labor Turnover Survey**
Apr. (e)	**7,080k (-112k)**
Mar.	7,192k (-288k)
Fed Speakers: Chicago's Goolsbee (12:45 pm); Governor Cook (1:00 pm); Dallas' Logan (3:30 pm)	
11:00 am	4-, 8- & 17-week bill auction announcements
11:30 am	6-week bill auction $60 bln

Wednesday June 4

7:00 am	**MBA Mortgage Applications**	**30-year FRM**
May 30		
May 23	-1.2%	6.98%
8:15 am	**ADP National Employment Report**	
May (e)	**+112,000**	
Apr.	+62,000	
9:45 am	**S&P Global Services/ Composite PMI (May F)**	
10:00 am	**ISM Services PMI**	
May (e)	**52.0**	
Consensus	*52.0*	
Apr.	51.6	
2:00 pm	**Beige Book**	
Fed Speakers: Governor Cook, Atlanta's Bostic (8:30 am)		
11:30 am	17-week bill auction	

Thursday June 5

7:30 am	**Challenger Layoff Report**	
May		
Apr.	+62.7% y/y	
8:30 am	**Initial Claims**	
May 31 (e)	**236k (-4k)**	
May 24	240k (+14k)	
8:30 am	**Continuing Claims**	
May 24		
May 17	1,919k (+26k)	
8:30 am	**Productivity**	**Unit Labor Costs**
Q1 F (e)	**-0.7% a.r.**	**+5.7% a.r.**
Consensus	*-0.8% a.r.*	*+5.7% a.r.*
Q1 P	-0.8% a.r.	+5.7% a.r.
Q4	+1.7% a.r.	+2.0% a.r.
8:30 am	**Goods & Services Trade Deficit**	
Apr. (e)	**$69.0 bln**	
Mar.	$140.5 bln	
10:00 am	**Global Supply Chain Pressure Index**	
May		
Apr.	-0.29	
Fed Speakers: Governor Kugler (noon); Philadelphia's Harker (1:30 pm); Kansas City's Schmid (1:30 pm)		
11:00 am	6-, 13-, 26- & 52-week bill, 3-, 10[R]-year note, 30[R]-year bond auction announcements	
11:30 am	4- & 8-week bill auctions	

Friday June 6

8:30 am	**Nonfarm Payrolls**	
May (e)	**+125,000**	
Consensus	*+130,000*	
Apr.	+177,000	
8:30 am	**Unemployment Rate**	
May (e)	**4.2%**	
Consensus	*4.2%*	
Apr.	4.2%	
8:30 am	**Average Hourly Earnings**	
May (e)	**+0.3%**	**+3.7% y/y**
Consensus	*+0.3%*	*+3.7% y/y*
Apr.	+0.2%	+3.8% y/y
3:00 pm	**Consumer Credit**	
Apr. (e)	**+$9.0 bln**	
Mar.	+$10.2 bln	

[C] = consensus; [D] = date approximate; [R] = reopening

Upcoming Policy Meetings | Bank of Canada: July 30, Sep. 17, Oct. 29 | FOMC: June 17-18, July 29-30, Sep. 16-17

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