Focus

Feature Article

Buy Canadian: Measuring the Benefits and Costs

Our Thoughts

BMO Economics
economics.bmo.com

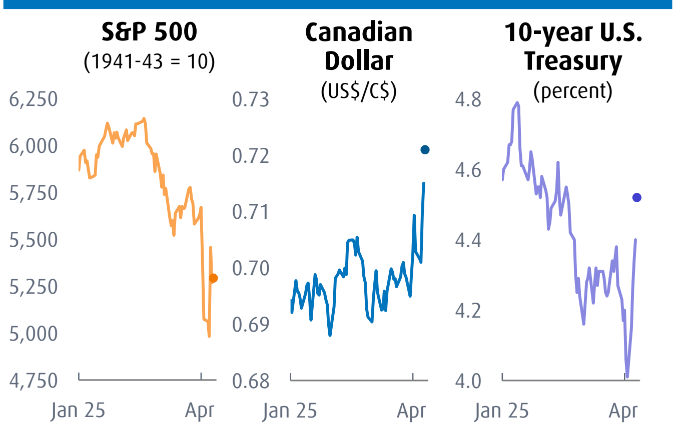
When the Levy Breaks

Douglas Porter, CFA
Chief Economist
douglas.porter@bmo.com

If it keeps on raining, levee's going to break
Mean old levee taught me to weep and moan
Crying won't help you, praying won't do you no good
When the levee breaks, mama, you got to move
— Clips from *"When the Levee Breaks"* by Memphis Minnie and Led Zeppelin

Well, that escalated quickly. After embarking on an around-the-world trade war in 80 days, the U.S. Administration narrowed the focus and increased the intensity with China this week, keeping markets on edge and economists on recession-watch. Even with the mid-week euphoria around the 90-day pause on U.S. reciprocal tariffs above 10% for all but China, markets soon reverted to deep caution. After all, **a bare-knuckled brawl between the world's two largest economies is scarcely bullish**. And the harsh reality is that the combination of 145% tariffs on China and 10% on most everyone else (yes, penguins too) means that the **average weighted U.S. tariff actually rose further this week**—we estimate it is now **about 28%**. China, in turn, responded with a 125% tariff on the U.S., albeit saying it would make no sense to go higher.

Chart 1
Dazed and Confused



Sources: BMO Economics, Haver Analytics *(dot as of Apr. 11, 2025, 10:00 am)*

Adding to the dangerous mix, **Treasury yields** forged higher in an echo of the market turmoil in March 2020—although the Fed's Kashkari suggested that *"we are quite a ways from"* those conditions. The net result of this eventful week was that **global equities** ended roughly flat—tech stocks managed to rebound 6% on net after a brutal four-day spell that saw the Nasdaq shed 13%, and 24% in the span of seven weeks. Other markets were less bouncy. After faring better than most last week, reality caught up with the TSX, though it still was up 1% this week (as of Friday afternoon), while the Nikkei dipped 0.6% and China's CSI 300 fell nearly 3%. Meantime, not unlike Treasuries, the **U.S. dollar** also seems to have officially lost its safe-haven status, in part due to the unique driver of this storm. Just since the reciprocal tariff regime was first unveiled, the yen and euro have popped about 4%, and even the loonie has soared around 3%.

While almost every market went on a wild ride this week, the **back-up in long-term Treasury yields** was clearly the main talking point, and perhaps one of the key reasons for the quick pause on reciprocal tariffs. After poking below 3.9% late last week, the 10-year yield rocketed to nearly 4.5% on fateful Wednesday, and climbed above that watermark Friday morning. Suffice it to say that this is not normal behaviour during times of general market angst. The initial explanation was that some hedge funds were forced to sell Treasuries as a variety of leveraged trades (common trades to be sure) turned against them in the overall volatility. However, as the week wore on, there was also a growing sense of aversion to U.S. assets more broadly, as expressed by the weakening in the greenback—also not normal during market stress.

Even shorter-term Treasuries rose on the week, as 2-year yields were up almost 30 bps, albeit some of that move can be explained by the market's shifting Fed expectations (i.e., fewer cuts). Yet, **the one major economic release** of the week —**U.S. March CPI**—was **a welcome downside surprise**, with core up just 0.1%, clipping the annual rate to 2.8%, the lowest in almost four years. Headline inflation was even milder, falling 0.1% m/m and sporting a mild 2.4% y/y pace, effectively back to pre-pandemic norms. (Then came U of Michigan inflation expectations…)

Blocking out all the trade war noise, these much more subdued results will give the Fed some cover and comfort to cut rates as necessary if/when growth buckles more seriously in coming weeks and months. **At this point, we are looking for three Fed cuts in the second half of the year**, and **three additional cuts in 2026**, taking the funds rate just below 3%, a quarter-point lower than we were forecasting earlier this year. Ultimately, the broader macro forces should prevail, and we expect long-term yields to gradually subside to around 4%, although it's quite possible that the world has indeed changed for the U.S. dollar, and the peak is past. **One real potential threat to our bond call**, and to the dollar, would be **any serious challenge of the Fed's independence**.

Of course, the dollar and the Fed's decisions will also be partly decided by how the underlying U.S. economy holds up in the face of the trade fight. Various Wall Street shops were busily opining on **recession odds** this week, with many guesses centering around 50%. We believe that's not the right question; the better question is: "**Will anything close to these tariffs and this uncertainty persist for long?**". If yes, then we would be forecasting a U.S. recession. At this point, we are still leaning to a series of quarters of sub-1% GDP growth and have cut both this year and next by one percentage point, with the jobless rate rising to around 5%.

Amid these churning waters, both the Bank of Canada and the ECB will decide on interest rates next week. There is no shame in admitting that we have changed our call, more than once, on at least one of these meetings—and they may both be game-time decisions, depending on how things unfold over the next few days. For the **ECB**, the direct trade risks seem manageable, with the EU now looking at the minimum 10% broad tariff, and 25% on its key auto sector and on steel & aluminum. Not ideal by any means, but the EU still decided to hit pause on its own retaliatory tariffs, to give time for U.S. negotiations. Having already cut twice this year and by a cumulative 150 bps in the past year to 2.5% on the deposit rate, the ECB may move to the sidelines for now amid the deep uncertainty. However, no one would really question another trim, with inflation calm at 2.2% and the euro suddenly sprinting to as high as $1.15.

The **Bank of Canada** has a more delicate decision, especially with the April 28 federal election due less than two weeks after the meeting. Canada has gone from the forefront of the trade war to backstage, and we estimate **the average weighted U.S. tariff on the economy is now "only" about 5%** (for now). Since we had built in something much heavier into our forecast initially, we are making a small, almost technical, upward adjustment to GDP this week (from 0.5% growth this year and next to 0.7% and 1.0%), albeit still with two quarters of declining activity this year in Q2 and Q3. Make no mistake, that's still a very soft performance and is below consensus, but it's probably just firm enough to prompt the Bank to hold next week.

Adding one last complication, **Canada's March CPI** will be released the day before the rate decision, and it won't be great—we look for headline inflation to tick up to 2.7% y/y, leaving it above U.S. inflation for one of the few times in the past five years. It's some comfort to the Bank that inflation will almost assuredly tumble hard next month, owing to the removal of the carbon tax and a deep drop in gasoline prices. Finally, the 3% blast off in the **loonie** in little more than a week has left the currency at its strongest level ($1.39/US$ or 72 cents) in more than five months, or just prior to the U.S. election. The surprisingly stronger currency will nullify one of the Bank's inflation concerns around a trade war, and ultimately will pave the way for lower rates. We continue to look for the BoC to eventually take rates down to 2.0% (from 2.75% now), a full 300 bps lower than the peak and at the very bottom end of what the Bank considers to be neutral.

Bank of Canada: Reactive Not Proactive

Benjamin Reitzes
Canadian Rates & Macro Strategist
benjamin.reitzes@bmo.com

The Bank of Canada is expected to keep rates steady on April 16 at 2.75%, after cutting rates 225 bps over the prior seven meetings. The last 50 bps in easing have been to manage the brewing risks around the outlook due to tariff uncertainty. There are few, if any, historical comparables for the current backdrop, making it particularly challenging to have clarity on the outlook. The breadth and depth of the uncertainty have prompted the Bank to shift to a reactive stance rather than its usual proactive approach. With only very limited data on the impact of tariffs thus far, policymakers are expected to hold as they wait and see how the data evolve.

At the BoC's March policy announcement and in public commentary since then, there's been **a focus on uncertainty**. That's likely to persist in the policy statement and **Monetary Policy Report**, particularly with the events of the past two weeks. Indeed, the fluid nature of the tariffs suggests that the MPR could eschew its usual format and focus more on scenario analysis. It is challenging to have a high-conviction base case scenario at the moment. There's little doubt that the **tariffs**, even the stepped-down variety, will be a **negative for the outlook**, but the magnitude is uncertain. The inflation outlook is similarly uncertain beyond the coming month. One thing we know is that the **consumer carbon tax ended on April 1**, and that drove the price of gasoline and other energy lower. That will have a material dampening impact on CPI, flattering inflation over the next year. All of the noise and uncertainty only reinforces the Bank's decision to be patient on any further policy moves for now.

One key message we anticipate from the BoC is that tariffs are unambiguously negative for growth. How negative is uncertain. We still don't know the full extent of what Canada has to deal with as **tariffs on auto parts are poised to start in May**. And, that's without mentioning the U.S. President's penchant to surprise. Indeed, the latter fact alone is perhaps reason enough to hold policy until we see a concrete impact or if Canada faces stiffer tariffs at some point. Beyond the direct tariff impact on Canada, the Bank also needs to consider the self-inflicted damage to the U.S., as that will reverberate back to Canada as well. Tariffs haven't changed the fact that the U.S. is still the largest consumer of Canadian exports, and economic weakness in our largest trading partner will weigh.

While we're anticipating a pause this month, **it's not a clear-cut decision**. Global financial markets bounced on the tariff walk-back, but that relief was short-lived. The bond market is gyrating, with USTs not behaving in their traditional flight to quality fashion. Financial conditions are tightening, introducing an additional drag on growth. The C$ has appreciated as well and should be less of an impediment to further easing. Still, uncertainty is driving much of the move in financial markets and that's unlikely to change any time soon.

Key Takeaway: The Bank of Canada is expected to hold rates steady after cutting at the prior seven meetings amid extreme uncertainty on the outlook for growth and inflation. The shift to a reactive policy stance suggests that absent a worse outcome on tariffs or another negative shock, the Bank will wait for the incoming data to chart the path forward for policy. We continue to expect another 75 bps in cuts this year, but the timing and pace will be data-driven.

Dispatches from the Tariffs Front

Michael Gregory, CFA
Deputy Chief Economist
michael.gregory@bmo.com

Former U.K. Prime Minister Harold Wilson famously said: *"A week is a long time in politics".* It's also a long time in global trade wars, with this past week proffered as a prime example. The highlights were as follows.

Last Friday (**April 4**), China announced a 34% retaliatory tariff on U.S. goods, matching the 34% reciprocal tariff it would face on April 9. China was one of 57 countries/regions facing reciprocal duties as high as 50% (poor Lesotho), above the 10% base rate.

On Saturday (**April 5**), the global base tariff became effective. It was applied to all countries except for the group that faced higher reciprocal tariffs and the group of 11 nations that were exempt. The latter group included Canada and Mexico which already faced 25% fentanyl/border security tariffs on goods not compliant with the USMCA (and 10% for non-compliant energy, critical minerals, and potash from Canada). For both countries, once the fentanyl/border security tariffs are lifted (when?) they will be replaced by a 12% base tariff (why higher?). Also on the exempt list, are countries the U.S. currently imposes trade sanctions on such as Russia and Belarus along with North Korea and Cuba. Also exempted is Vatican City (think popes over penguins).

On Tuesday (**April 8**), the U.S. retaliated against China's retaliatory tariff with another 50% levy, for a combined 84% rate effective the next day. Then came wild Wednesday (**April 9**). As the day began, the reciprocal tariffs became effective, with China's rate now at 84% (instead of the original 34%). Vowing to *"fight to the end"*, China retaliated a second time with a matching 50% tariff for a combined 84% on U.S. goods.

Meanwhile, the EU voted to begin phasing in previously announced 25% tariffs on more than $23 billion worth of U.S. goods, effective April 15. This was the retaliatory response to last month's 25% U.S. tariffs on steel and aluminum which was postponed until the reciprocal duties were announced. Canada's 25% tariff on U.S. automobiles (or the U.S. content for USMCA-compliant vehicles) also kicked in. This was the retaliatory response to last month's 25% U.S. duties on automobiles and parts that was similarly postponed until the reciprocal levies were announced.

However, **later in the day**, the Trump Administration announced the various reciprocal tariffs would be lowered to the 10% global base rate for 90 days, for all countries except China. In response to Beijing's latest retaliatory action, the U.S. also retaliated a second time, raising China's reciprocal rate to 125% from 84%. Including the 20%

fentanyl-related levies, China now faces a combined 145% tariff on its exports to the U.S. (This is on top of the duties from Trump 1.0 that continued under Biden.)

On Thursday (**April 10**), the EU announced that it would again postpone its tariffs. And on Friday (**April 11**), China retaliated a third time, lifting its levy to 125%.

Over the past week (Friday-to-Friday), **America's global trade war has morphed into a no-holds-barred battle with China**. And the much-hyped reciprocal tariffs are looking more like the 'global supplementary tariff' that President Trump ordered be investigated in the America First Trade Policy Memorandum signed on Inauguration Day. Meanwhile, there are Section 232 (national security) trade investigations soon to be completed and likely recommending tariffs. And, according to the Administration, there are almost 70 countries that have reached out to the U.S. for trade negotiations, with Japan and South Korea at the top of the list. We'll see what happens next week.

U.S. Recession Risks Rising

Sal Guatieri
Senior Economist
sal.guatieri@bmo.com

Pundits offered many reasons to explain the President's partial about-face on reciprocal tariffs. Cratering equities and crumbling confidence in the world's safest assets (Treasuries) were high on the list. No President wants to be blamed for a market sell-off or, worse, causing a recession. It's one thing for people to lose a little money (OK, a lot of money), but quite another to lose your job. Together with the trade war's direct damaging effects on growth—stemming from snarled supply chains, weakened exports, and clipped spending power—are **other indirect effects**. In our March 21 Focus, we talked about the harm caused by trade uncertainty, with the Economic Policy Uncertainty Index now making a serious run at record highs. Severe unpredictability can delay business investment and big-ticket purchases. **We can now add two more fierce headwinds to the list: plunging household wealth and, more broadly, tightening financial conditions.**

Chart 1
From Friend to Foe

United States (ppts contribution to yearly real GDP growth)
Financial Conditions Impact on Growth

Source: BMO Economics *Shading marks U.S. recessions*

By our estimates, the angry bear prowling the equity woods could **erase a year's worth of American household wealth gains**, or roughly $7 trillion (4%). Based on an old rule of thumb that says consumers spend about 3 cents less for every (sustained) dollar loss of equity-market wealth, annual spending could slow by around $200 billion (1%) this year. While rising home prices are providing some offset, they look to moderate this year. Importantly, the negative wealth effect will be stacked upon somewhat weaker labour markets and spending power, as tariffs curb growth and lift inflation.

Equity prices are just one of many influences on financial conditions which, in turn, effect the spending decisions of households and businesses. Others include tighter lending conditions and wider credit spreads, which will restrict loan growth. Coupled with uncertainty, both the will and the way of borrowers is being put to the test. Our in-house measure suggests **financial conditions have gone from being a moderate tailwind on real GDP growth last year—adding about 1 ppt—to a**

potential similar-sized headwind this year (*Chart 1*). While the abrupt shift alone doesn't flag a recession, it could deepen. And, it's worth reminding, this hit will be stacked upon the direct effect of the trade war itself, which is now pushing past 1 ppt.

We all hope—and surely the President aims—to avoid a recession. The best course would be for the trade war to retreat, allowing market casualties to heal. If so, a fundamentally healthy U.S. economy would have a fighting chance at resuming its regularly scheduled progress.

Trade War Collateral Damage

Scott Anderson
Chief U.S. Economist
scotta.anderson@bmo.com

Market volatility continues as investors try and digest everything that has transpired on the trade front. After a brief respite from equity selling on Wednesday, as the Trump Administration put a 90-day pause on the most onerous of the reciprocal tariffs against the rest of the world, the trade war quickly refocused and intensified on China. The U.S. doubled down and boosted its minimum tariff rate on China to a whopping 145%. China swiftly responded with a 125% tariff of its own on U.S. exports to China. As a result, we estimate the **weighted average U.S. import tariff rate actually increased to 28%, its highest level since 1901**.

If these tariffs remain in place for any sustained period of time, **we will see a rapid disintegration of two-way trade between the U.S. and China**. As of February, the latest data we have, U.S. goods imports from China as a share of total U.S. imports sank to 11.0%, its lowest non-pandemic level since 2003. The share of U.S. imports from China peaked way back in September 2015 at just under 24%.

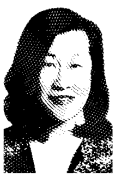
The VIX, a measure of near-term market volatility expectations, remains at an elevated 39.2 (as of Friday afternoon). The S&P 500 is trading about 15% below its February 19 peak, approaching two-thirds of the 25% drawdown the market experienced between January 2022 and September 2023, as the Fed aggressively hiked rates and recession fears reached their peak.

Even so, the equity market selloff is quickly becoming a side-show for investors and analysts. **The real collateral damage is occurring in the U.S. Treasury and corporate bond markets.** It doesn't help that Congress is readying a budget bill that is estimated to increase the federal debt by nearly $6 trillion over the next decade compared to the CBO baseline. Foreign and U.S. investors appear to be losing confidence in the federal government's management of the economy and its fiscal discipline. The Fed's trade-weighted advanced economies U.S. dollar index has shed 5.4% of its value so far from its January 13th peak.

The 10-Year **Treasury yield** has jumped to around 4.5%, a 22-bp increase from a month ago. The **30-year Treasury yield** has increased 34 bps over the same period. We are now seeing increasing yields from a month ago across a broad spectrum of Treasury maturities. This appears to be driven by a rise in real interest rates as opposed to rising inflation expectations. The real 10-year yield has risen by about 30 basis points over the past month even as inflation expectations at the 10-year horizon have sunk. In short, **bond investors are demanding higher real returns in exchange for the risk of holding longer-term U.S. debt**. Not a good look for the world's preeminent safe haven asset. This will make financing the growing federal debt all the more challenging to afford and sustain.

Corporate credit risk is rising fast for high-yield as well as higher-quality corporates. High-yield corporate spreads have blown out to around 434 basis points. As recently as February, high-yield corporate spreads were still near historical lows of 256 basis points. Signs of financial market stress abound as investors scramble to recalibrate to a new protectionist global order and the potential breakdown of trade between the two largest economies in the world. If we stay on the current course, I fear we will all be collateral damage in this trade war.

ECB Reserves the Right to Change Its Mind



Jennifer Lee
Senior Economist
jennifer.lee@bmo.com

Be flexible. Stay limber. Reserve the right to change your mind. Roll with it.

You get the message.

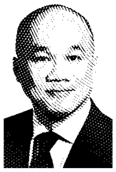
When events change, the calls will change. And these days, things are changing at top speed. For weeks, there was almost no expectation for the ECB to cut interest rates in April after March's 25 bp reduction (or 150 bps in the past year) to a 2-year low of 2.50%. But as the trade war with the U.S. heated up, policymakers started to sound more worried. The temperature soared on 'Liberation Day', with the announcement of a 20% tariff on all things coming out of the EU. It was not a surprise but now that it was official, **Brussels started to get its penguins in a row**.

First, it would start by aiming one bullet at the 25% metals levy, with a list of U.S. imports to tariff (including Harleys and OJ). **Second**, it would set its sights on the services deficit it has with America. **Third**, it would bring out the Anti-Coercion Instrument. The only hesitancy on whether to cut rates again in April was due to the fiscal support that was going to be unleashed. But with even the hawks (including Isabel Schnabel) warning of the "*dramatic surge*" in uncertainty, and the Bundesbank's Joachim Nagel saying that "*global growth prospects have deteriorated massively*" and that the ECB "*will make responsible decisions*" at the April meeting, well, another 25 bp rate cut seemed to be in order.

Then came Wednesday's shock announcement heard around the world. True, **the pause** on reciprocal tariffs was only 90 days, but it was a step in the right direction. The U.S. president blinked, saw the edge of the cliff and walked the other way. The EU decided to hold its fire on the over €20 bln of targetted U.S. imports, also for 90 days—even though that list was meant for the steel & aluminum tariffs, which are still in place. Details, details. But the EU would prefer not to poke the hornet's nest. In other words, **all parties will take a step back and cool off during the next 90 days and that will now include the ECB in April** (lest it is accused of purposely weakening the common currency). After all, at the March meeting, when policy was described as "*meaningfully less restrictive*", officials saw a rate cut and a pause as the two options for April, particularly given that the outlook for exports were a "*major concern*".

Bottom Line: Our ECB April rate cut call lasted about a day. But we, too, took a step away from said cliff. We no longer see a burning need for the ECB to ease on April 17.

Crude Oil Outlook: Key Swing Factors



Art Woo
Senior Economist
art.woo@bmo.com

The price of crude oil continues to struggle despite President Trump's rather sudden decision to push the pause button on reciprocal tariffs (with the notable exception of China). The about-face is good news, at least for the time being, for the global economy and, by extension, global oil demand. Nonetheless, it's clear the oil market is also focusing on supply-side developments, notably, OPEC+'s production strategy, restrictions on Iranian and Russian crude exports and the outlook for U.S. shale-related production. In the following, we highlight how we see the balance of risks.

Negative for Crude Oil: **Global oil demand** is still facing elevated downside risks. The U.S. Energy Information Administration (EIA) just lowered its projection for 2025 global oil consumption by 400 kb/d. However, the EIA is still looking for an increase of 900 kb/d this year, which still seems very high (vs. +830 kb/d in 2024). We think an increase of around 500 kb/d is more realistic, and that is still subject to downside risks given all the tariff uncertainty. A major U.S./global recession would likely lead to zero growth in global oil demand.

A significant **change in OPEC+'s production curtailment strategy** is likely the biggest threat to crude oil prices. The oil market remains stunned by the cartel's decision to accelerate the unwinding of 2.2 mb/d in voluntary cuts next month. Recall the cartel's production will increase by a combined 411 kb/d in May, up from the prior planned increase of 135 kb/d. We are not true believers that this decision was solely based on coercing longstanding over-producers (Kazakhstan, Iraq, etc.) to comply with their quotas. We think pressure from President Trump and his stated desire for lower crude oil prices is weighing heavily on OPEC+'s decision-making process these days. We'll get a better idea at the cartel's next production strategy meeting in early May.

Positive for Crude Oil: Greater efforts by the West/U.S. to crack down on crude exports by Iran (2.0 mb/d) and Russia (7.5 mb/d) could take significant chunks out of global supply. Although curbing Russian supply has proven pretty much fruitless since the invasion of Ukraine, the Trump Administration is gradually ramping up its **'maximum pressure campaign' on Iran's nuclear program**. Recall the U.S. recently stated it is intent on squeezing Iran's crude exports to just 100 kb/d. We doubt this target will be met, but we think Washington will have *some* success here, which was highlighted by additional sanctions placed on buyers of Iranian oil in the past week.

Despite President Trump's desire for America's oil producers to 'drill, baby, drill', there is a growing possibility we could see **U.S. oil production** decline if oil prices remain at present levels as an increasing amount of shale-based production is now sitting well below break-even price levels. However, we do not envision a sharp and sudden reduction in supply despite shale producers' ability to quickly shut in production. A potential drop in U.S. output would also help offset pressure from expected supply additions from other non-OPEC+ producers this year (e.g., Brazil, Canada, Guyana and Norway), which could surpass 500 kb/d.

Key Takeaway: Predicting the price of crude oil these days is not much different than catching a falling knife. Nevertheless, we have once again trimmed our 2025 forecast for West Texas Intermediate (WTI) crude to US$65/bbl (previous $68) given excess supply risks remain quite prevalent.

Priscilla Thiagamoorthy
Senior Economist
priscilla.thiagamoorthy@bmo.com

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

	Good News	Bad News
Canada ▪ C$ strengthens to best level in five months ▪ BoC's surveys show sagging business and consumer sentiment amid tariff turmoil	**Building Permits** +2.9% (Feb.)	**BoC's BOS Indicator** -0.9 pts to -2.1 (1Q) **Ivey PMI** -4.0 pts to 51.3 (Mar.) **Province of Newfoundland & Labrador** expects a widening $372 mln deficit (FY25/26) **Province of Prince Edward Island** is projecting a $184 million deficit (FY25/26)
United States ▪ President Trump hikes China tariffs to 145%, lowers reciprocal levies to 10% for other countries ▪ Stocks swing wildly, bond yields spike, U.S. dollar index plunges to 2022 levels	**Consumer Prices** slow to +2.4% y/y (Mar.) **Producer Prices** ease to +2.7% y/y (Mar.) **Budget Deficit** narrowed to $160.5 bln (Mar.)	**Consumer Credit** unch (Feb.) **U of M Consumer Sentiment** plunges 6.2 pts to 50.8 (Apr.)—and **inflation expectations** surge **NFIB Small Business Optimism** -3.3 pts to 97.4 (Mar.) **Initial Claims** +4k to 223k (Apr. 5 week)
China ▪ China hikes tariffs from 84% to 125% on U.S. goods	**Foreign Reserves** climbed to $3.24 trln (Mar.)	**Consumer Prices** -0.1% y/y; **Producer Prices** -2.5% y/y (Mar.)
Japan ▪ Yen strengthens in flight to safety	**Machine Tool Orders** +11.4% y/y (Mar. P) **Bank Lending Ex. Trusts** +3.0% y/y (Mar.)	**Real Cash Earnings** -1.2% y/y (Feb.) **Consumer Confidence** -0.7 pts to 34.1 (Mar.)
Europe ▪ President Lagarde says the ECB does not target any FX rate; euro jumps to 3-year highs ▪ BoE warns of global hit from tariffs	**Euro Area—Retail Sales** +0.3% (Feb.)—but below expected **Germany—Trade Surplus** widened to €17.7 bln (Feb.) **U.K.—Monthly Real GDP** +0.5% (Feb.)—and **Index of Services** +0.3%	**Germany—Industrial Production** -1.3% (Feb.) **France—Trade Deficit** widened to €7.9 bln (Feb.) **Italy—Industrial Production** -0.9% (Feb.) **U.K.—Trade Deficit** widened to £20.8 bln (Feb.)
Other ▪ RBNZ cuts OCR by 25 bps to 3.50% ▪ RBI cuts key rate by 25 bps to 6.00% ▪ Gold climbs to record highs		**Australia—Westpac Consumer Confidence** -6.0% (Apr.) **Australia—NAB Business Confidence** -1 pts to -3 (Mar.)

Buy Canadian: Measuring the Benefits and Costs

Robert Kavcic
Senior Economist
robert.kavcic@bmo.com

'Buy Canadian' could add roughly $10 billion to the Canadian economy annually, lifting growth by 0.3 ppts. But patriotism comes with some costs.

The 'Buy Canadian' movement is deepening, and recent years have taught us that behavioural forces matter in the economy. We judge that **this shift in attitudes could add roughly $10 billion to the Canadian economy annually, lifting growth by 0.3 ppts** (+/- 0.2 ppts). While that's meaningful, there are also costs—buying Canadian can be impractical in some cases, and can come with less selection at higher prices.

This is a very difficult economic knot to untie. Supply chains are highly integrated, with many Canadian products seeing parts of their production and inputs sourced from outside the country. As an example, 'Made in Canada' products require the last substantial transformation to occur in Canada, but that could come with up to 49% foreign content. Meantime, a foreign business could employ a significant local labour force, but see profits flow outside of Canada—do those 'Buying Canadian' consider that "good" or "bad" on balance? When judging the economic impact, **we're looking at the behavioural impact**, which could be supplemented by larger factors like changes in the value of the Canadian dollar, fiscal policy, or overall labour market conditions.

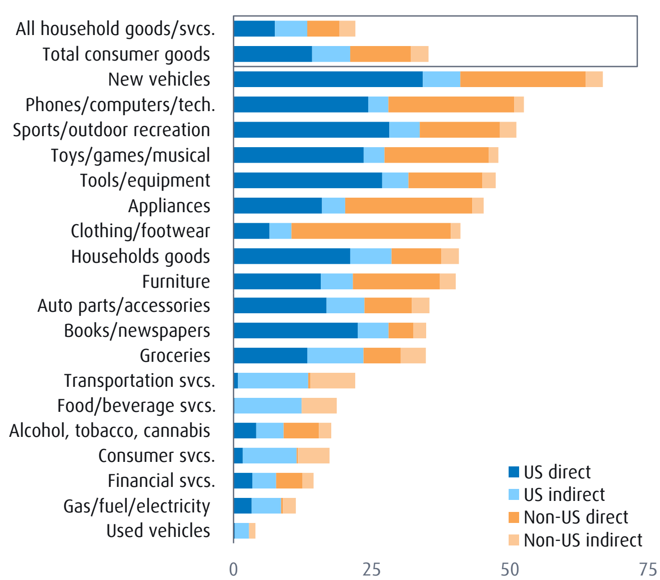
Canadians can't just avoid imports

Canadian consumers are at the front line of this movement. Many retailers are facilitating through new labeling, and there's been an almost pandemic-like proliferation of tools to help consumers keep money in the country. The challenge is that Canada is a significant net importer of household products, cars and consumer electronics. StatCan data show that more than 20% of final household consumption is dependent on imports, either directly (finished products) or indirectly (inputs that are used to create a final good in Canada). More specifically, **35% of household consumer goods are reliant on direct and indirect imports**, and that share would rise above 40% for goods that we deem to be realistically substitutable (*Chart 1*).

The challenge gets tougher when drilling into specific product categories. The auto sector supply chain, for example, is highly integrated with two-thirds of Canadian new vehicle spending reliant on imports, largely through the U.S.—Canadians can buy domestically-assembled vehicles, but they will still have import content. Phones & other consumer tech are also highly import-dependent; and more than 40% of the value added in clothing is imported, predominantly from outside the U.S. Even domestic services will rely on imports to a degree—a rideshare driver might use an imported car, and your barber might be using imported scissors and styling gel.

Chart 1
We're All Importers

Canada — 2021 (%)
Import Share of Household Consumption[1]



[1] Reflects the share of final household consumption that is dependent on imports. Direct imports include purchases of finished products (e.g., a fridge imported from the U.S.); indirect imports are purchases of goods that are subsequently used in Canadian production (e.g., imported fruits that then get manufactured into jam in Canada). These shares also account for value added domestically (e.g., transportation, packaging and sales staff). Hence, even highly import-dependent products will still have meaningful domestic value-added content.

Sources: BMO Economics, derived from Statistics Canada Supply and Use Tables and trade in value-added tables

Buying Canadian could get pricey

Avoiding imports altogether is almost impossible, and doing so partially could come at a higher price. A quick BMO Economics comparison (*Table 1*) reveals much more expensive clothing and moderately more expensive household and personal care products. New car pricing can come out about neutral (e.g., an Ontario-produced base-model RAV4 versus a similar Ford Escape), although the selection of Canadian-assembled vehicles is limited. Consumers will have better luck at the grocery store, with some Canadian-made items running cheaper, but they won't be able to realistically fill a full shopping cart with home-grown product. **The availability of close substitutes is arguably the biggest challenge and, if found, Canadians could have to pay up.**

With those constraints in mind, we still estimate that a modest shift in substitutable goods spending could push a noticeable $6 billion in consumer spending toward Canadian value added.

Table 1
Cost of Buying Canadian

Category	Examples	Relative Cost[1]
Basic groceries	Pasta, tea, granola bars, soup	Somewhat cheap
New autos	Cdn-assembled trucks & small SUVs	Neutral
Household goods	Cookware, BBQs, sporting goods	Somewhat expensive
Personal care	Deodorant, hair care	Expensive
Clothing	Jackets, shoes, kids' clothes	Very expensive

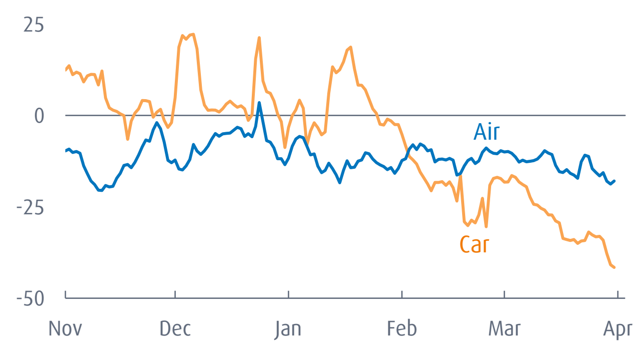
[1] BMO Economics sample estimate; prices will differ based on location, promotions and product selection *Source: BMO Economics*

The travel bug still bites

There's evidence that Canadians are forgoing trips to the U.S., and that could have an impact on where travel dollars get allocated. Cross-border travel by car was down more than 30% y/y in March as the trade conflict was intensifying (*Chart 2*). To be sure, other factors like the weak Canadian dollar are playing a role. Air travel to the U.S. has been more stable, but it too is down 14% y/y. And, industry guidance is pointing toward a substantial decline in U.S. air travel bookings for this summer. **Canadians spend roughly $60 billion annually in travel abroad**, and a modest domestic shift would add incrementally to Canadian tourism spending. We estimate a modest positive net economic impact for Canada.

Chart 2
Staycation?

Canada — 2024-25 (7-day m.a. : y/y % chng)
Canadians Returning from the U.S.



Sources: BMO Economics, Haver Analytics, Statistics Canada

Governments are big buyers

Canada spends a significant amount on procurement through all levels of government. According to the OECD, procurement spending topped 13% of GDP in Canada as of 2021, slightly above the OECD average (*Chart 3*). **Some jurisdictions are directing public spending toward domestic businesses and goods.** For example, Ontario has launched a Building Ontario Business Initiative that will aim to direct $3 billion in contracts annually toward provincial businesses. Some other provinces are following suit with their own programs, and some municipalities are trying.

The challenges again are that there aren't always ideal substitutes for procured goods/services, the shift might come at a higher cost, and companies could have domestic operations that ultimately see profits flow outside Canada. Based on data from CanadaBuys, 91% of procurement contracts inked since mid-2023 were to businesses that already had a Canadian address. That suggests a somewhat limited scope for a shift. But the raw amount of dollars spent here still points to a modestly positive economic impact should governments push this policy—and we assume they will.

Investors: How much Canada is too much?

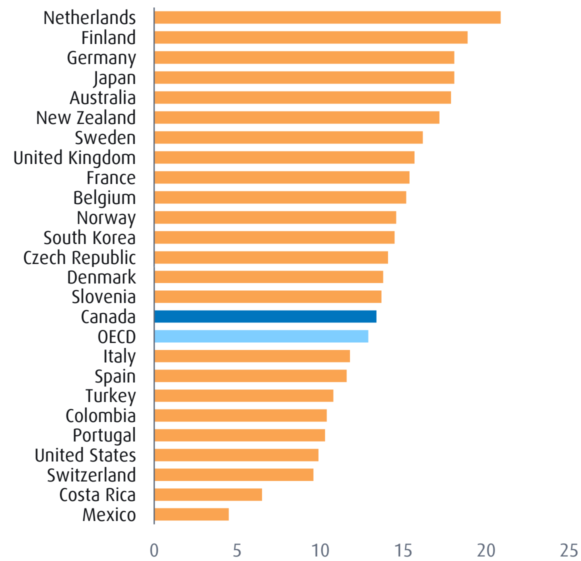
This movement can extend beyond goods and services, and into financial markets. In 2024, **Canadians invested a net $26 billion abroad in equities and $87 billion in bonds**. Interestingly, some of the federal political conversation has been around favourable tax treatment of investment dollars reinvested back into Canada. Meantime, Canada's largest pension funds hold more than $2 trillion in assets, and there has been ongoing discussion about their role in investing in Canada. In some cases (e.g., Quebec's CDPQ), there is already a mandate to focus some investment locally.

The cost, however, is that any immediate economic benefit could come with a sacrifice of optimal asset allocation for long-term returns. Indeed, Canadian investors already have a significant home allocation bias. While the CPP has roughly 11% of assets allocated in Canada, individual investors already hold about 50% of their equity exposure domestically—a massive overweight versus a less than 3% weight in the MSCI global index. There are tax advantages of course, but it doesn't leave a lot of room for a further shift into Canada.

Chart 3
Government's Role

2021 (% of GDP)

General Government Procurement Spending



Sources: BMO Economics, OECD

Key Takeaways

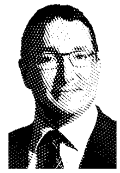
- The 'Buy Canadian' movement is behavioural economics at work, and the impact should be noticeable.
- An estimated $10 billion economic boost could add 0.3 ppts to growth over the course of a year.
- Additional growth will come from shifting consumer spending patterns, government procurement and more domestic travel.
- The impact could be further supplemented by changes in fiscal policy and the value of the Canadian dollar, but still outweighed by the impact of the trade war itself.
- Further allocation of investment dollars within Canada could be more limited.
- Patriotism doesn't come without a cost—in this case, less selection and most likely higher prices.

Economic Forecast Summary for April 11, 2025

		2024				2025				Annual		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026
CANADA												
Real GDP	(q/q % chng : a.r.)	1.8	2.8	2.2	2.6	1.5 ↑	-2.5 ↑	-1.5 ↓	1.0 ↑	1.5	0.7 ↑	1.0 ↑
Consumer Price Index	(y/y % chng)	2.8	2.7	2.0	1.9	2.4 ↓	2.3 ↓	2.3 ↓	2.1 ↓	2.4	2.3 ↓	2.0
Unemployment Rate	(percent)	5.9	6.3	6.5	6.7	6.6	7.2 ↓	7.6 ↓	7.7 ↓	6.4	7.3 ↓	7.5 ↓
Housing Starts	(000s : a.r.)	244	250	238	248	239	243	232	225	245	235	225
Current Account Balance	($blns : a.r.)	-8.9	-19.0	-14.5	-20.0	-11.0 ↑	-49.0 ↓	-57.3 ↓	-58.8 ↓	-15.6	-44.0 ↓	-56.0 ↑
Interest Rates						(average for the quarter : %)						
Overnight Rate		5.00	4.92	4.42	3.58	2.92	2.67	2.42	2.17	4.48	2.54	2.00
3-month Treasury Bill		4.94	4.81	4.27	3.46	2.85	2.50 ↓	2.35	2.10	4.37	2.45	1.95
10-year Bond		3.43	3.58	3.14	3.21	3.12	3.00 ↑	2.95 ↑	2.90 ↑	3.34	3.00 ↑	2.85
Canada-U.S. Interest Rate Spreads						(average for the quarter : bps)						
90-day		-52	-66	-95	-112	-149	-179 ↓	-176 ↑	-164 ↑	-53	-167 ↑	-109 ↓
10-year		-73	-87	-80	-107	-133	-111 ↑	-107 ↑	-102 ↑	-87	-113 ↑	-94 ↑
UNITED STATES												
Real GDP	(q/q % chng : a.r.)	1.6	3.0	3.1	2.4	0.4	0.5	0.6	1.1	2.8	1.4	1.4
Consumer Price Index	(y/y % chng)	3.2	3.2	2.7	2.7	2.7	2.8 ↓	3.8 ↓	4.0 ↓	3.0	3.3 ↓	3.3 ↑
Unemployment Rate	(percent)	3.8	4.0	4.2	4.2	4.1	4.4	4.7	4.9	4.0	4.5	5.0
Housing Starts	(mlns : a.r.)	1.41	1.34	1.33	1.39	1.43	1.39	1.40	1.40	1.37	1.41	1.42
Current Account Balance	($trlns : a.r.)	-0.97	-1.11	-1.24	-1.22	-1.33	-1.24	-1.25	-1.27	-1.13	-1.27	-1.30
Interest Rates						(average for the quarter : %)						
Fed Funds Target Rate		5.38	5.38	5.21	4.63	4.38	4.38	4.04 ↓	3.79	5.15	4.15 ↓	3.04 ↑
3-month Treasury Bill		5.45	5.47	5.22	4.58	4.34	4.30	4.10 ↓	3.75 ↓	5.18	4.10 ↓	3.05 ↑
10-year Note		4.16	4.44	3.95	4.28	4.45	4.10 ↑	4.00 ↑	3.90 ↑	4.21	4.10 ↑	3.80
EXCHANGE RATES						(average for the quarter)						
US¢/C$		74.2	73.1	73.3	71.5	69.7	71.1 ↑	71.0 ↑	71.3 ↑	73.0	70.8 ↑	72.6 ↑
C$/US$		1.35	1.37	1.36	1.40	1.43	1.41 ↓	1.41 ↓	1.40 ↓	1.37	1.41 ↓	1.38 ↓
¥/US$		149	156	149	152	152	144 ↓	143 ↓	141	151	145 ↓	139
US$/Euro		1.09	1.08	1.10	1.07	1.05	1.12 ↑	1.14 ↑	1.15 ↑	1.08	1.11 ↑	1.17
US$/£		1.27	1.26	1.30	1.28	1.26	1.30 ↑	1.31 ↑	1.32 ↑	1.28	1.30 ↑	1.33 ↑

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

Canada



Benjamin Reitzes
Canadian Rates & Macro Strategist
benjamin.reitzes@bmo.com

Shelly Kaushik
Senior Economist
shelly.kaushik@bmo.com

Consumer Price Index

Tuesday, 8:30 am

Mar. (e)	**+0.7% (+0.3% s.a.)**	**+2.7% y/y**
Consensus	*+0.7%*	*+2.7% y/y*
Feb.	+1.1%	+2.6% y/y

CPI Core (% y/y)

	Trim	Median	ex. F&E
Mar. (e)	**+2.8**	**+2.9**	**+2.7**
Feb.	+2.9	+2.9	+2.9

Canadian consumer prices pushed higher again in March as the rest of the GST/HST holiday unwinds. We're looking for CPI to rise 0.7%, not quite as much as in February as a drop in gasoline prices helped restrain the overall increase. It's still too early to see any pass-through from tariffs, but that's something we'll be watching for over the next few months. However, there could be some pass-through from the depreciation in the Canadian dollar over the past few quarters, suggesting there's some upside risk to our call. Momentum in shelter costs continues to ebb, amid slowing gains in rent and mortgage interest costs. Our call would push **headline inflation** up a tick to 2.7% y/y. Next month, we're poised to see a huge reversal lower in CPI with the end of carbon tax compounded by the plunge in energy prices (gasoline prices are on pace to fall over 10% alone, cutting ~0.4 ppts from CPI).

Core inflation looks to come in at +0.1% to +0.2%, which would leave the yearly rates flat to a tick lower (2.8% to 2.9% on average). Next month will be particularly interesting as we'll be watching for signs that lower energy prices and the end of the consumer carbon tax flowed through to other prices. Core CPI has yet to move below 2.5%, which has yet to give the BoC pause as inflation breadth has remained contained. — B.R.

Existing Home Sales

Tuesday, 9:00 am

	Existing Home Sales	Average Prices
Mar. (e)	**-10.0% y/y**	**-1.5% y/y**
Feb.	-10.4% y/y	-3.3% y/y

	MLS Home Price Index
Mar. (e)	**-1.5% y/y**
Feb.	-1.0% y/y

The spring **housing** market seemed to have gotten off to a slower start this year with national sales activity expected to be down 10% from year-ago levels in March, implying a fourth straight monthly decline in seasonally adjusted terms. We're expecting both average prices and the quality-adjusted MLS HPI to fall 1.5% over the same period. The ramp-up in tariff threats in March is expected to have an impact on housing activity given higher-than-normal uncertainty on trade and the economic outlook. While lower interest rates would support demand, the hit to economic growth could prolong the housing recovery and widen the existing regional differences across the country. — S.K.

BoC Policy Announcement and Monetary Policy Report

Wednesday, 9:45 am
Press conference at 10:30 am

See Benjamin Reitzes' Thought on page 4.

United States

Scott Anderson
Chief U.S. Economist
scotta.anderson@bmo.com

Priscilla Thiagamoorthy
Senior Economist
priscilla.thiagamoorthy@bmo.com

Retail Sales

Wednesday, 8:30 am

	Retail Sales	Ex. Autos
Mar. (e)	**+1.2%**	**+0.1%**
Consensus	*+1.4%*	*+0.4%*
Feb.	+0.2%	+0.3%

	Ex. Autos/Gas
Mar. (e)	**+0.2%**
Feb.	+0.5%

We are forecasting a strong **retail sales** gain for March. Tariff front-running of durable goods, especially motor vehicles last month, likely turbocharged the sales figures. Consumers fretting over another spike in goods prices due to reciprocal and sectoral import tariffs implemented in April have been keen to speed up their planned goods purchases. Unit motor vehicle sales climbed to a 47-month high of 17.8 million annualized in March, providing a solid cushion for retail sales growth. However, a 6.3% drop in retail gasoline prices last month likely hobbled gasoline station sales. Headline retail sales are projected to jump 1.2% in March following an anemic 0.2% increase in February. Retail sales ex-autos are projected to rise 0.1%, slowing from a 0.3% increase. A projected 0.2% increase in retail sales excluding gasoline and autos points to a respectable 0.3% rise in real core retail sales last month. — S.A.

Industrial Production

Wednesday, 9:15 am

	Industrial Production	Capacity Utilization
Mar. (e)	**-0.2%**	**77.9%**
Feb.	+0.7%	78.2%

Industrial production is expected to slip 0.2% in March as trade uncertainty halted three straight months of gains. Manufacturing output likely faltered as the production of consumer goods and business equipment sagged. Mining is expected to pick up, though volatile utilities likely fell. **Capacity utilization** looks to edge below 78%, marking the first drop in four months. Overall, while industrial production has weathered through strong headwinds, it's unlikely to gain significant momentum until there's more clarity on the trade front and rates head lower. — P.T.

Housing Starts

Thursday, 8:30 am

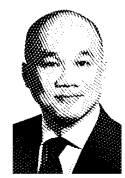
Mar. (e)	**1.46 mln a.r. (-2.7%)**
Consensus	*1.42 mln a.r. (-5.4%)*
Feb.	1.50 mln a.r. (+11.2%)

Building Permits

Mar. (e)	**1.44 mln a.r. (-1.0%)**
Consensus	*1.45 mln a.r. (-0.6%)*
Feb.	1.46 mln a.r. (-1.0%)

After a nice rebound in February, **housing starts** look to wilt 2.7% to 1.46 mln annualized units in March. Builders likely pulled back on both single-family and volatile multi home construction amid heightened angst over borrowing costs and unsold inventories. Meantime, **building permits**, a good proxy for future home construction, are likely to fall for a fourth straight month, down another 1.0% to 1.44 mln annualized amid soggy market conditions. Residential construction, already reeling from elevated mortgage rates, won't be able to gain significant traction this year as tariffs look to push up material costs and weigh on demand. — P.T.

Overseas



Art Woo
Senior Economist
art.woo@bmo.com

China — Real GDP

Wednesday

Q1 (f)	**+1.0%**	**+4.7% y/y**
Q1 (e)	*+1.4%*	*+5.2% y/y*
Q4	+1.6%	+5.4% y/y

China's Q1 GDP release may be viewed as too backward-looking given the rapid escalation in its trade war with America. Nonetheless, it should give us a better sense of how the economy was performing ahead of Trump's reciprocal tariff shock. Our estimate of 4.7% y/y is below Bloomberg's latest polling of 5.2% y/y (median and mean estimate). More interesting will be March's accompanying statistics, particularly retail sales, merchandise trade and fixed asset investment, which should provide more insight into the current state of the economy. That said, we expect them to show that the economy remains highly bifurcated with exports performing well, while domestic demand remains very sluggish. We expect exports, which will be released in advance of GDP (Monday or Tuesday), to have remained on firm footing (+5% y/y in March) due to front-loading ahead of tariffs. Note that Korean and Taiwanese exports increased 3.1% and 17.9% y/y, respectively, in March. Elsewhere, we estimate retail sales rose 4.0% y/y in March, while fixed asset investment is forecast to come in at +4.2% y/y in March. — A.W.

ECB Monetary Policy Announcement

Thursday, 8:15 am ET
Press conference at 8:45 am ET

See Jennifer Lee's Thought on page 8.

Financial Markets Update for April 11, 2025

		Apr 11 [1]	Apr 4	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	2.60	2.54	6	-3	-56
	United States	4.31	4.24	7	2	0
	Japan	0.33	0.40	-7	1	12
	Australia	4.07	4.10	-4	-5	-33
2-Year Bonds	Canada	2.66	2.36	30	9	-27
	United States	3.94	3.66	28	-8	-30
10-Year Bonds	Canada	3.29	2.88	41	22	6
	United States	4.56	4.00	56	25	-1
	Japan	1.30	1.19	11	-21	22
	Germany	2.54	2.58	-4	-33	18
	United Kingdom	4.74	4.45	29	7	17
	Australia	4.40	4.22	18	-2	4
Risk Indicators	VIX	43.6	45.3	-1.8 pts	21.8 pts	26.2 pts
	Inv. Grade CDS Spread [2]	74	73	1	18	24
	High Yield CDS Spread [2]	436	443	-7	90	125
					(percent change)	
Currencies	US¢/C$	71.86	70.33	2.2	3.2	3.4
	C$/US$	1.392	1.422	—	—	—
	¥/US$	143.43	146.93	-2.4	-3.5	-8.8
	US$/€	1.1338	1.0956	3.5	4.2	9.5
	US$/£	1.306	1.289	1.4	1.0	4.4
	US¢/A$	62.31	60.40	3.2	-1.5	0.7
Commodities	CRB Futures Index	285.13	288.46	-1.2	-5.8	-3.9
	Oil (generic contract)	60.14	61.99	-3.0	-10.5	-16.1
	Natural Gas (generic contract)	3.48	3.84	-9.2	-15.1	-4.1
	Gold (spot price)	3,228.36	3,038.24	6.3	8.2	23.0
Equities	S&P/TSX Composite	23,138	23,193	-0.2	-5.8	-6.4
	S&P 500	5,256	5,074	3.6	-6.8	-10.6
	Nasdaq	16,386	15,588	5.1	-7.7	-15.1
	Dow Jones Industrial	39,522	38,315	3.1	-4.7	-7.1
	Nikkei	33,586	33,781	-0.6	-9.4	-15.8
	Frankfurt DAX	20,382	20,642	-1.3	-11.3	2.4
	London FT100	7,981	8,055	-0.9	-7.5	-2.3
	France CAC40	7,110	7,275	-2.3	-11.4	-3.7
	S&P ASX 200	7,646	7,668	-0.3	-1.8	-6.3

[1] = as of 10:50 am *[2] = One day delay*

Global Calendar — April 14–April 18

	Monday April 14	Tuesday April 15	Wednesday April 16	Thursday April 17	Friday April 18
China	**Trade Surplus** [D] **Mar. (e) $74.4 bln** Feb. $31.7 bln **Aggregate Yuan Financing (YTD)** [D] **Mar. (e) 14.3 trln** Feb. 9.3 trln **New Yuan Loans (YTD)** [D] **Mar. (e) 9.1 trln** Feb. 6.1 trln		**Real GDP** **Q1 (f) +1.0% +4.7% y/y** Q1 (e) +1.4% +5.2% y/y Q4 +1.6% +5.4% y/y **Industrial Production (YTD)** **Mar. (e) +5.9% y/y** Feb. +5.9% y/y **Retail Sales (YTD)** **Mar.** Feb. +4.0% y/y **Fixed Asset Investment (YTD)** **Mar. (e) +4.1% y/y** Feb. +4.1% y/y		
Japan	**Industrial Production** **Feb. F (e) +2.5% +0.3% y/y** Jan. -1.1% +2.2% y/y		**Core Machine Orders** **Feb. (e) +1.2% -0.5% y/y** Jan. -3.5% +4.4% y/y	**Trade Surplus** **Mar. '25 (e) ¥485 bln** Mar. '24 ¥350 bln	**Consumer Prices** / **Core CPI** **Mar. (e) +3.7% y/y +3.2% y/y** Feb. +3.7% y/y +3.0% y/y **Core Core CPI** **Mar. (e) +2.9% y/y** Feb. +2.6% y/y
		EURO AREA **Industrial Production** **Feb. (e) +0.1% -0.8% y/y** Jan. +0.8% unch y/y **GERMANY** **ZEW Survey—Expectations** **Apr. (e) 10.0** Mar. 51.6 **FRANCE** **Consumer Prices** **Mar. F (e) +0.2% +0.9% y/y** Feb. +0.1% +0.9% y/y **UNITED KINGDOM** **Payrolls** **Mar. (e) -15,000** Feb. +21,000 **Employment (3m/3m)** / **Jobless Rate** **Feb. (e) +168k 4.4%** Jan. +144k 4.4% **Avg. Reg. Weekly Earnings (3m/3m)** **Feb. (e) +6.0% y/y** Jan. +5.9% y/y	**EURO AREA** **Consumer Prices** **Mar. F (e) +0.6% +2.2% y/y** Feb. +0.4% +2.3% y/y **Core CPI** / **Services** **Mar. F (e) +2.4% y/y +3.4% y/y** Feb. +2.6% y/y +3.7% y/y **ITALY** **Consumer Prices** **Mar. F (e) +1.6% +2.1% y/y** Feb. +0.1% +1.7% y/y **UNITED KINGDOM** **Consumer Prices** **Mar. (e) +0.4% +2.7% y/y** Feb. +0.4% +2.8% y/y **Core CPI** / **Services** **Mar. (e) +3.4% y/y +4.8% y/y** Feb. +3.5% y/y +5.0% y/y	**EURO AREA** **8:15 am ET ECB Monetary Policy Meeting** **8:45 am ET ECB Press Conference**	**EURO AREA** **Markets closed** **FRANCE** **Retail Sales** **Mar.** Feb. -0.2% y/y **UNITED KINGDOM** **Markets closed**
Other		**AUSTRALIA** **Minutes from the April RBA Monetary Policy Meeting**		**AUSTRALIA** **Employment** / **Jobless Rate** **Mar. (e) +40,000 4.2%** Feb. -52,800 4.1% **NEW ZEALAND** **Consumer Prices** **Q1 (e) +0.7% +2.3% y/y** Q4 +0.5% +2.2% y/y	**AUSTRALIA** **Markets closed**

[D] = date approximate; (e) = Bloomberg consensus; (f) = BMO forecast **Upcoming Policy Meetings** | Bank of England: May 8, June 19, Aug. 7 | European Central Bank: June 5, July 24, Sep. 11

Canada

Monday April 14

8:30 am | **Wholesale Trade**
Feb. (e) | **+0.4%**
Jan. | +1.2%

8:30 am | **New Motor Vehicle Sales**
Feb. (e) | **-8.0% y/y**
Jan. | +3.0% y/y

Tuesday April 15

8:15 am | **Housing Starts**
Mar. (e) | **230,000 a.r. (+0.4%)**
Feb. | 229,030 a.r. (-4.3%)

8:30 am | **Consumer Price Index**
Mar. (e) | **+0.7%** | **+2.7% y/y** | **(+0.3% s.a.)**
Consensus | *+0.7%* | *+2.7% y/y*
Feb. | +1.1% | +2.6% y/y

8:30 am | **CPI Core (% y/y)**

	Trim	**Median**	**ex. F&E**
Mar. (e)	**+2.8**	**+2.9**	**+2.7**
Feb.	+2.9	+2.9	+2.9

8:30 am

	Mfg. Sales	**Mfg. New Orders**
Feb. (e)	**-0.2%**	**-0.5%**
Jan.	+1.7%	+0.9%

9:00 am

	Existing Home Sales[D]	**Average Prices**
Mar. (e)	**-10.0% y/y**	**-1.5% y/y**
Feb.	-10.4% y/y	-3.3% y/y

9:00 am | **MLS Home Price Index[D]**
Mar. (e) | **-1.5% y/y**
Feb. | -1.0% y/y

11:15 am | Cash management bond buybacks $0.5 bln

Wednesday April 16

9:45 am | **BoC Policy Announcement and Monetary Policy Report; press conference at 10:30 am**

8:00 pm | **Federal leaders' debate (French)**

Thursday April 17

8:30 am | **Int'l Securities Transactions**

	Inflows	**Outflows**
Feb.		
Jan.	$7.9 bln	$3.2 bln

8:30 am

	Household Credit	**Mortgage Credit**
Feb.		
Jan.	+4.1% y/y	+4.3% y/y

7:00 pm | **Federal leaders' debate (English)**

5-, 30-year bond auction announcements

Friday April 18

Good Friday (markets closed)

United States

Monday April 14

Fed Speakers: Richmond's Barkin (noon); Governor Waller (1:00 pm); Philadelphia's Harker (6:00 pm); Atlanta's Bostic (7:40 pm)

11:30 am | 13- & 26-week bill auctions $144 bln

Tuesday April 15

8:30 am | **Import Prices**
Mar. (e) | **unch** | **+1.4% y/y**
Consensus | *unch* | *+1.4% y/y*
Feb. | +0.4% | +2.0% y/y

8:30 am | **Empire State Manufacturing Survey**
Apr. (e) | **-25.0**
Consensus | *-15.0*
Mar. | -20.0

Fed Speaker: Governor Cook (7:10 pm)

11:00 am | 4-, 8- & 17-week bill auction announcements

11:30 am | 6-week bill auction $70 bln

11:30 am | 52-week bill auction $48 bln

Wednesday April 16

7:00 am | **MBA 30-year FRM**
Apr. 11 |
Apr. 4 | 6.61%

8:30 am

	Retail Sales	**Ex. Autos**
Mar. (e)	**+1.2%**	**+0.1%**
Consensus	*+1.4%*	*+0.4%*
Feb.	+0.2%	+0.3%

8:30 am | **Retail Sales ex. Autos/Gas**
Mar. (e) | **+0.2%**
Feb. | +0.5%

9:15 am

	Industrial Production	**Capacity Utilization**
Mar. (e)	**-0.2%**	**77.9%**
Feb.	+0.7%	78.2%

10:00 am | **NAHB Housing Mkt. Index**
Apr. (e) | **37**
Mar. | 39

10:00 am | **Business Inventories**
Feb. F (e) | **+0.3%**
Feb. P | +0.2%
Jan. | +0.3%

1:30 pm | **Fed Chair Powell speaks to the Economic Club of Chicago**

4:00 pm | **Net TIC Flows**

	Total	**Long Term**
Feb.		
Jan.	-$48.8 bln	-$45.2 bln

Fed Speakers: Cleveland's Hammack (noon); Kansas City's Schmid (7:00 pm)

11:30 am | 17-week bill auction

1:00 pm | 20[R]-year bond auction $13 bln

Thursday April 17

8:30 am | **Initial Claims**
Apr. 12 (e) | **226k (+3k)**
Apr. 5 | 223k (+4k)

8:30 am | **Continuing Claims**
Apr. 5 |
Mar. 29 | 1,850k (-43k)

8:30 am | **Housing Starts**
Mar. (e) | **1.46 mln a.r. (-2.7%)**
Consensus | *1.42 mln a.r. (-5.4%)*
Feb. | 1.50 mln a.r. (+11.2%)

8:30 am | **Building Permits**
Mar. (e) | **1.44 mln a.r. (-1.0%)**
Consensus | *1.45 mln a.r. (-0.6%)*
Feb. | 1.46 mln a.r. (-1.0%)

8:30 am | **Philadelphia Fed Index**
Apr. (e) | **0.0**
Consensus | *4.4*
Mar. | 12.5

Fed Speaker: Governor Barr (11:45 am)

11:00 am | 6-, 13-, 26-week bill, 2-, 5- & 7-year note, 2-year FRN auction announcements

11:30 am | 4- & 8-week bill auctions

1:00 pm | 5-year TIPS auction $25 bln

Friday April 18

Good Friday (stock markets closed; limited bond market activity)

Fed Speaker: San Francisco's Daly (11:00 am)

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

Upcoming Policy Meetings | Bank of Canada: June 4, July 30, Sep. 17 | FOMC: May 6-7, June 17-18, July 29-30

General Disclosures

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Bank N.A. (member FDIC), Bank of Montreal Europe p.l.c, and Bank of Montreal (China) Co. Ltd, the institutional broker dealer business of BMO Capital Markets Corp. (Member FINRA and SIPC) and the agency broker dealer business of Clearpool Execution Services, LLC (Member FINRA and SIPC) in the U.S., and the institutional broker dealer businesses of BMO Nesbitt Burns Inc. (Member Canadian Investment Regulatory Organization and Member Canadian Investor Protection Fund) in Canada and Asia, Bank of Montreal Europe p.l.c. (authorised and regulated by the Central Bank of Ireland) in Europe and BMO Capital Markets Limited (authorised and regulated by the Financial Conduct Authority) in the UK and Australia. BMO does not represent that this document may be lawfully distributed, or that any financial products may be lawfully offered or dealt with, in compliance with any regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder. This document is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Their contents have not been reviewed by any regulatory authority. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This document is not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such Information be considered as investment advice or as a recommendation to enter into any transaction. Each investor should consider obtaining independent advice before making any financial decisions. This document is provided for general information only and does not take into account any investor's particular needs, financial status or investment objectives. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Dissemination of Economic Publications: Our publications are disseminated via email and may also be available via our web site https://economics.bmo.com. Please contact your BMO Financial Group Representative for more information.

Additional Matters

This report is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Its contents have not been reviewed by any regulatory authority. BMO Capital Markets does not represent that this report may be lawfully distributed or that any financial products may be lawfully offered or dealt with, in compliance with regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder.

To Australian residents: BMO Capital Markets Limited and Bank of Montreal are exempt from the requirement to hold an Australian financial services licence under the Corporations Act in respect of financial services they provide to wholesale investors (as defined in the Corporations Act). BMO Capital Markets Limited is regulated by the UK Financial Conduct Authority under UK laws, and Bank of Montreal in Hong Kong is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission which differ from Australian laws. This document is only intended for wholesale clients (as defined in the Corporations Act 2001),Eligible Counterparties or Professional Clients (as defined in Annex II to MiFID II) and Professional Investors (as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules under the Securities and Futures Ordinance of Hong Kong).

To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.

To E.U. Residents: In an E.U. Member State this document is issued and distributed by Bank of Montreal Europe plc which is authorised and regulated in Ireland and operates in the E.U. on a passported basis. This document is only intended for Eligible Counterparties or Professional Clients, as defined in Annex II to "Markets in Financial Instruments Directive" 2014/65/EU ("MiFID II").

To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to retail clients.

To Hong Kong Residents: In Hong Kong, this report is published and distributed by Bank of Montreal. Bank of Montreal (incorporated in Canada with limited liability) is an authorized institution under the Banking Ordinance and a registered institution with the Securities and Futures Commission (CE No. AAK809) to carry on Type 1 (dealing in securities) and Type 4 (advising in securities) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong). This report has not been reviewed or approved by any regulatory authority in Hong Kong. Accordingly this report must not be issued, circulated or distributed in Hong Kong other than (a) to professional investors as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules under the Securities and Futures Ordinance of Hong Kong, or (b) in circumstances which do not result in or constitute an offer to the public in Hong Kong.

To Israeli residents: BMO Capital Markets is not licensed under the Israeli Law for the Regulation of Investment Advice, Investment Marketing and Portfolio Management of 1995 (the "Advice Law") nor does it carry insurance as required thereunder. This document is to be distributed solely to persons that are qualified clients (as defined under the Advice Law) and qualified investors under the Israeli Securities Law of 1968. This document represents the analysis of the analyst but there is no assurance that any assumption or estimation will materialize.

To Korean Residents: This report has been provided to you without charge for your convenience only. All information contained in this report is factual information and does not reflect any opinion or judgement of BMO Capital Markets. The information contained in this report should not be construed as offer, marketing, solicitation or investment advice with respect to financial investment products in this report.

To Japan Residents: This report has not been reviewed by any regulatory authority in Japan. This report is provided for information purposes only and it should not be construed as an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide investment management or advisory or other services in Japan. Securities may not be offered or sold in Japan by means of this report or any other document other than to Qualified Financial Institutions within the meaning of item (i) of Article 17-3 of the Government Ordinance to enforce the Financial Instruments and Exchange Act (Kinyu Shohin Torihiki Ho Sekou Rei). Unless specified otherwise, the securities that may be offered to you are not and will not be registered in Japan pursuant to the Financial Instruments and Exchange Acts.

To Taiwanese Residents: This report is not intended to constitute investment advice nor a public offer for any investment products to investors in Taiwan. This report should only be accessed by investors in Taiwan that are qualified to invest in investment products pursuant to relevant Taiwanese laws and regulations, and subject to sales restrictions as set forth in the relevant Taiwanese laws and regulations. BMO Capital Markets has not and will not secure the required licenses in Taiwan for the offer of securities and investment services. Any offer of securities has not been and will not be registered or filed with or approved by the Financial Commission of Taiwan and/or other regulatory authority pursuant to relevant securities laws and regulations of Taiwan, and may not be issued, offered or sold within Taiwan through a public offering or in circumstances which constitute an offer that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority in Taiwan under relevant securities laws and regulations of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the securities in Taiwan.

To PRC Residents: This material does not constitute an offer to sell or the solicitation of an offer to buy any financial products in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the "PRC"). BMO and its affiliates do not represent that this material may be lawfully distributed, or that any financial products may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. This material may not be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

To Singapore Residents: This report is intended for general circulation and does not and is not intended to constitute the provision of financial advisory services, whether directly or indirectly, to persons in Singapore. You should seek advice from a financial adviser regarding the suitability of the investment products, taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. This report has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, it should not be circulated or distributed, nor may the securities described herein be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor or a relevant person as defined in and pursuant to and in accordance with the conditions of the relevant provisions of the Securities and Futures Act of Singapore or (b) otherwise pursuant to and in accordance with the conditions of, any other applicable provision of the SFA.

To Thai Residents: The contents hereof are intended solely for the use of persons qualified as Institutional Investors according to Notification of the Securities and Exchange Commission No. GorKor. 11/2547 Re: Characteristics of Advice which are not deemed as Conducting Derivatives Advisory Services dated 23 January 2004 (as amended). BMO and its affiliates do not represent that the material may be lawfully distributed, or that any financial products may be lawfully offered, in compliance with any regulatory requirements in Thailand, or pursuant to an exemption available under any applicable laws and regulations.

To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal.

These documents are provided to you on the express understanding that they must be held in complete confidence and not republished, retransmitted, distributed, disclosed, or otherwise made available, in whole or in part, directly or indirectly, in hard or soft copy, through any means, to any person, except with the prior written consent of BMO Capital Markets.Furthermore, you shall not use (nor enable or procure any third party to use) these materials, in whole or in part, for the development of any software program, model, algorithm, or generative artificial intelligence (AI) tool or any other derivative content, including, but not limited to, training or using these materials in connection with the development or operation of a machine learning or artificial intelligence (AI) system (including any use of these documents for training, fine tuning, or grounding the machine learning or AI system or as part of retrieval-augmented generation). **ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST**

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Bank N.A., (Member FDIC). Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets. ® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere. ™ Trademark Bank of Montreal in the United States and Canada.