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Canada's Prime Minister Justin Trudeau addresses media following the imposition of a raft of tariffs by US President Donald Trump against Canada, Mexico and China in Ottawa on

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For an economy that was projected to grow at 1.8% in 2025, that would imply the first annual contraction in 16 years, outside of the pandemic. Consumer prices are likely to increase at a faster pace than the Bank of Canada’s 2% target, the unemployment rate is expected to rise and the Canadian dollar will weaken further.

Here’s what economists are saying

Toronto-Dominion Bank

Chief Economist Beata Caranci and Senior Economist James Orlando expect a “sharp negative reaction” in North American equity markets and the loonie, which could drop as low as 65 US cents. The economy will probably go into recession if tariffs are sustained for five to six months. Any longer would deepen the contraction, and the unemployment rate may cross the 7% threshold. “It is premature to estimate the central bank response,” they said.