WEEKLY COMMENTARY

Unpacking the One Big Beautiful Bill

By Francis Généreux, Principal Economist

It's been a few weeks since the US House of Representatives passed the centrepiece of President Trump's budget and tax agenda. But the sprawling, 1,038-page bill hasn't been finalized, as it still has to pass the Senate. While the upper chamber of Congress could pass the bill as written, it also has the power to introduce amendments—potentially sweeping ones. Some Republican senators have already expressed their concern over certain provisions of the House-approved bill. They must nevertheless respect specific budgetary constraints to pass the bill using the budget reconciliation process, which bypasses the need for a Senate supermajority—which would be impossible to achieve unless some Democrats could be persuaded to vote for it. The Republicans have said they want to pass the *One Big Beautiful Bill Act* (OBBBA) so President Trump can sign it into law by the national holiday on July 4.

Big

So, what's in the bill? They're calling it "big" for a reason. The OBBBA is packed with measures, some of which will have major repercussions on the economy or the budget, while others are more limited in scope. Most importantly, it fulfills a number of the biggest promises made by Donald Trump during the election. Of particular note is the extension of the 2017 tax cuts, which would otherwise expire at the end of this year. Individual taxpayers can look forward to new deductions for seniors, tax exemptions on tips and overtime pay, and a new deduction on auto loan interest. The bill also creates what it calls "Trump accounts" for children. The federal government will deposit US$1,000 into these accounts if they're opened within a year of the child's birth. Parents can deposit up to US$5,000 a year. Eventually these funds could be used to pay for school, buy a first home or start a business.

As for businesses, the most important measures reinstate 100% first-year depreciation for investments in equipment and technology, increase the small business tax deduction, and create a new tax credit for businesses that hire US citizens in high-unemployment areas. But the House jettisoned one of Trump's campaign promises—to lower the corporate tax rate from 21% to 15%.

It's clear that these provisions will create a significant budget shortfall for the US Treasury, so the bill also introduces measures to mitigate the financial impact. These include the gradual elimination of tax credits and incentives tied to Biden-era policies like the *Inflation Reduction Act*, as well as major restrictions on eligibility for Medicaid, health insurance subsidies (Obamacare) and food stamps. Non-citizens would no longer be eligible for a number of assistance programs. A revised cap on the federal deduction for state and local taxes (SALT) would also funnel more money to Washington. In addition, the OBBBA creates a 3.5% tax on money transferred abroad (which is often sent by immigrant workers).

The bill also cuts many federal expenditures, particularly in departments that have already been targeted by the Trump administration and DOGE. This spending is generally related to the fight against climate change, environmental regulations or federal land management. On the other hand, the bill ramps up spending in other areas, especially homeland security and defence.

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Is It a "Disgusting Abomination" or "One of the Greatest Bills Ever Presented to Congress"?

These remarks—the first made by Elon Musk on X and the second by President Trump on Truth Social—demonstrate the extremes of opinion over the OBBBA, even within the political right. Musk's main reason for opposing the bill is its budgetary impact, which he claims negates DOGE's spending cuts. Naturally, the Democrats also strongly oppose the bill, particularly its cuts to Medicare to fund tax breaks for the wealthy.

Both of these criticisms are backed by several analyses that were recently published by independent organizations. For instance, the Congressional Budget Office (CBO) projects that, as passed by the House, the OBBBA would add a total of US$2.4 trillion to the deficit over ten years, along with an additional US$551 billion in interest on the debt over the same period. The CBO also says that the bill would result in 10.9 million people losing their health insurance (mainly due to restrictions on Medicaid). Finally, the organization also forecasts that, under the OBBBA, the poorest 10% of US households would see their income decline by 3.9%, while income for the wealthiest 10% would rise by 2.3%. The OBBBA's cuts to social programs and taxes would therefore exacerbate income and wealth inequality within the United States.

This bill, which President Trump so dearly wants to pass, may have some negative consequences, but what will it do for economic growth? The CBO still hasn't published an analysis of the bill's economic impacts. But other independent organizations have. The Congressional Joint Committee on Taxation estimates that the OBBBA would add 0.4% to real GDP over ten years. The Penn Wharton Budget Model sees a similar increase, while the Tax Foundation projects a bigger boost, with GDP coming in 0.8% higher over the same period. The Budget Lab at Yale believes the bill's impact would be positive over the short term, but negative over the long term as a result of higher debt. We also expect the bill to fuel growth, especially in 2026. However, this is similar to our earlier projections, which were based on Donald Trump's campaign promises and were incorporated into our economic scenarios in November. It's worth pointing out that these forecasts differ sharply from the optimistic projections of the White House's Council of Economic Advisers. The CEA expects real GDP growth to be 4.2% to 5.2% higher over the next four years and 2.9% to 3.5% over the long term.

What About the Debt (and the Debt Ceiling)?

The US federal government's finances were already on shaky ground, and the cost of the OBBBA adds another enormous financial burden. According to the CBO, the bill will increase publicly held federal debt from 99.9% of GDP in 2025 to 123.8% in 2034. It's also important to note that many of the OBBBA's tax measures are set to expire in 2028. Extending these measures, as is currently proposed for the 2017 tax cuts, would further increase deficits and the debt, which would rise to 127.7% of GDP by 2034.

Although over the next decade the OBBBA would add US$3 trillion to the already projected deficit of approximately US$21 trillion, it does not include a corresponding increase in the debt ceiling. Keep in mind that, since hitting the debt ceiling in January, the US Treasury has been relying on "extraordinary measures" to keep the government funded. The House-approved bill would raise the debt ceiling by just US$4 trillion. This may only cover the deficit for the next few years, which means the economy could face the threat of another debt ceiling standoff before the 2028 election.

However, the White House views the OBBBA as just one of several tools at its disposal. The projected deficit may be reduced by other factors, such as revenue generated by President Trump's tariffs. His trade policy is a work in progress, so it's unclear whether the "reciprocal" tariffs announced in April will return. Additional protectionist measures could also be announced. Or the administration could sign bilateral agreements (though the promised "90 deals in 90 days" appear to be out of reach). The CBO estimates that tariffs could reduce the federal deficit by US$2.8 trillion over ten years, which practically offsets the cost of the OBBBA. But this assumes that the tariffs in place in mid-May would remain unchanged throughout the forecast horizon. That said, the duties actually collected by the federal government in April (US$16.3 billion) and May (US$22.8 billion) suggest that tariff revenues may disappoint if, as expected, import volumes adjust downward.

The Trump administration is also proposing additional cuts to federal spending by using the rescission process to claw back funding previously appropriated by Congress. Many of the proposed cuts in the rescissions package currently making its way through Congress were recommended by DOGE and target the State Department (foreign aid) and the Corporation for Public Broadcasting. The resulting savings won't amount to much: just US$9.3 billion. But bigger cuts of this type could be made later on.

That said, there are other variables that could throw everything off course, and the risks in this respect are significant. The bond market is already showing some anxiety over the rise in debt levels. Investors may also be disappointed by the apparent lack of commitment to balancing public finances, as the Republican majority prioritizes additional tax cuts over deficit reduction. President Trump's protectionist policy has also clouded foreign investor sentiment towards the United States. In this respect, the OBBBA introduces another disincentive by proposing changes to taxes on non-residents (Section 899). This would allow the government to retaliate against what it believes to be unfair foreign taxes by raising the withholding tax on passive income (such as dividends, interest, royalties and capital gains) that foreign individuals, corporations and governments earn from

US securities. These factors could push interest rates higher than expected and increase the cost of servicing the federal debt, while hampering economic growth.

But Is It Beautiful?

In conclusion, although the Senate could still make changes to the bill, the OBBBA does little to address the problems facing the US economy. Since much of the bill's cost comes from extending measures that are already in place (the 2017 tax cuts), its overall impact on the broader economy will be limited, even as it dramatically inflates the deficit. The government also seems completely uninterested in dealing with income inequality, access to health care, the energy transition and international development. Some of its proposed tax cuts seem unnecessary, although certain measures may encourage businesses to invest, despite the uncertain environment. Unless tariffs inject vast sums into the federal coffers, the debt is expected to rise sharply. This is likely to remain a concern for investors, especially those outside the United States, who already have questions about the resilience of the US economy, the greenback's safe-haven status, the strength of American institutions and the country's openness to foreign investment.

What to Watch For

UNITED STATES

TUESDAY June 17 - 8:30	
May	**m/m**
Consensus	-0.7%
Desjardins	-0.8%
April	**0.1%**

Retail sales (May) – After an impressive 1.7% monthly gain in March, retail sales edged up just 0.1% in April. We expect May's print to be even weaker, mainly due to the decline in auto sales during the month as the tariff-induced pull-forward abated. Lower pump prices are also likely to have dragged down gasoline station receipts. Other sectors were probably more stable thanks to higher consumer confidence. Preliminary data from the Federal Reserve Bank of Chicago also improved during May after a lacklustre start to the month. That said, card transaction data are less positive. Overall, we expect total retail sales to fall 0.8% and sales excluding motor vehicles and gasoline to rise 0.2%.

TUESDAY June 17 - 9:15	
May	**m/m**
Consensus	0.0%
Desjardins	0.4%
April	**0.0%**

Industrial production (May) – Industrial production was flat in April as solid growth in energy production offset weakness in manufacturing output. Manufacturing likely rebounded in May based on the increase in hours worked in the automotive sector. The production component of the ISM Manufacturing index improved in May but remains relatively weak. Look for manufacturing to have advanced 0.8%, which would be the best monthly print since February. However, we expect energy production to have flatlined, and the mining sector likely contracted. Total industrial production probably expanded by 0.4%.

WEDNESDAY June 18 - 8:30	
May	**ann. rate**
Consensus	1,360,000
Desjardins	1,375,000
April	**1,361,000**

Housing starts (May) – Housing starts have been highly volatile since late 2024. This has accustomed us to big swings, but April's gain came in at a fairly modest 1.6% after March's 10.1% plunge. Housing starts probably rose again in May on the heels of the slight jump in residential construction jobs and an increase in new home sales in March and April. That said, relatively low builder confidence, immigration restrictions and tariffs on certain goods needed for new builds could further hold back housing starts.

WEDNESDAY June 18 - 14:00	
June	
Consensus	4.50%
Desjardins	4.50%
May 7	**4.50%**

Federal Reserve meeting (June) – Fed officials will likely stay on the sidelines again at their upcoming meeting. Based on May's labour market performance and relatively stable inflation, the Fed doesn't need to move quickly. In fact, the vast majority of forecasters surveyed by Bloomberg expect the central bank to hold rates steady. This makes sense as we're still waiting to see the real effects of tariffs on economic activity and prices. We'll also have more insight into Fed officials' expectations once they publish their latest forecasts.

FRIDAY June 20 - 10:00	
May	**m/m**
Consensus	-0.1%
Desjardins	0.0%
April	**-1.0%**

Leading indicator (May) – In April, the leading indicator suffered its biggest monthly drop since March 2023. However, we expect a much flatter print this month, as many of the components that led to April's decline—the stock market, hours worked and, to a lesser extent, consumer confidence—did much better in May.

CANADA

MONDAY June 16 - 8:15	
May	**ann. rate**
Consensus	252,500
Desjardins	235,000
April	**278,600**

Housing starts (May) – After large swings in recent months, housing starts probably decreased to about 235k (saar) in May. Cost increases stemming from the ongoing trade war, upwardly trending completed and unabsorbed condo units, and weak presales in key markets all likely continued to have a dampening effect on new starts.

MONDAY June 16 - 9:00	
May	**m/m**
Consensus	n/a
Desjardins	2.0%
April	**-0.1%**

Existing home sales (May) – We think that the housing market has turned the corner and that sales increased about 2% month over month in May. While trade war uncertainty still looms, average and benchmark prices have fallen to about 18% below their early 2022 peaks. For some buyers, the opportunity may have been too good to pass up. The Toronto Regional Real Estate Board announced seasonally adjusted sales increased in May by 8.4% month over month amid the deepest buyer's market since 1991. And according to early year-over-year figures from local real estate boards, the Quebec market remains strong, with sales up 10%.

FRIDAY June 20 - 8:30	
April	**m/m**
Consensus	0.5%
Desjardins	0.4%
March	**0.8%**

Retail sales (April) – Retail sales probably increased by 0.4% m/m in April, one tick below Statistics Canada's flash estimate of +0.5%. We expect receipts at both motor vehicle parts dealers and fuel vendors to have dropped, but increases in other categories likely more than compensated for the decline. Gasoline sales were probably dragged down by the sharp decline in prices, while volumes possibly inched up compared to March. Regarding receipts at auto dealerships, we expect the April decline to partly be an offset from the March rebound. We expect volumes to have dropped but passenger vehicle prices to have increased on a seasonally adjusted basis. Core sales, which exclude gasoline and autos, probably increased in April. Among possible contributing factors was the announcement by the Hudson's Bay Company that it would close all its retail stores across the country by June. Consumers taking advantage of liquidation discounts in April and May may have boosted core retail sales volumes in April compared to March. Consumer sentiment also increased slightly in April compared to the record low in March. For May's flash estimate, we expect retail sales to fall, as both motor vehicle and gasoline receipts likely posted declines.

OVERSEAS

SUNDAY June 15 - 22:00
May

China: Industrial production and retail sales (May) – Despite the uncertainty and tariff flip-flopping, China's industrial production has held up fairly well so far this year. That said, this strong performance is largely due to an improvement in economic activity. Softening imports in March and April and falling manufacturing PMIs suggest a slowdown in industrial production in the coming months. Looking at retail sales, Chinese domestic demand still appears sluggish, particularly due to the stagnant property market. May's data will provide more information on the strength of the economy when tariffs between China and the United States were at their peak.

MONDAY June 16	
June	
Consensus	0.50%
Desjardins	0.50%
April 30	**0.50%**

Japan: Bank of Japan meeting (June) – We expect the Bank of Japan (BoJ) to hold rates at 0.5%, in line with the market consensus. The focus at this meeting will be the BoJ's planned purchases of Japanese government bonds (JGBs). Given the spike in JGB yields recently, some market participants expect the Bank to announce a slower tapering of its quarterly bond purchases. The Bank is currently reducing its JGB purchases by ¥400 billion per quarter, with the goal of bringing monthly purchases down to about ¥3 trillion by March 2026. Market participants have suggested that the Bank should maintain a larger buying program for longer and thus slow the pace of quarterly reductions in order to maintain stability in the bond market.

THURSDAY June 19 - 3:30	
June	
Consensus	0.00%
Desjardins	0.00%
March 20	**0.25%**

Switzerland: Swiss National Bank meeting (June) – Is Switzerland preparing to go back to negative interest rates? We expect the Swiss National Bank to cut rates by 25bps, bringing the policy rate to 0%. However, interest rate futures are pricing in a cut of between 25bps and 50bps, with the 3-month Swiss Average Rate Overnight (SARON) futures contract expiring in June trading at -10bps. The headline year-over-year CPI print came in at -0.1% in May, and inflation continues to slow. Past and future strength in the Swiss franc are additional deflation risks.

THURSDAY June 19 - 7:00	
June	
Consensus	4.25%
Desjardins	4.25%
May 8	**4.25%**

United Kingdom: Bank of England meeting (June) – We expect the Bank of England to hold next week but cut by 25bps at its next meeting in August. However, the Bank could surprise with a cut next week, or at least one more Monetary Policy Committee member could join Taylor and Dhingra in dissenting with a vote for a cut—potentially resulting in a 6–3 split. The payrolls data continue to look very weak. Slack is building and pay growth is slowing.

Economic Indicators

Week of June 16 to 20, 2025

Date	Time	Indicator	Period	Consensus	Desjardins	Previous reading
UNITED STATES						
MONDAY 16	8:30	Empire State Manufacturing Index	June	-6.0	-5.0	-9.2
TUESDAY 17	8:30	Export prices (m/m)	May	-0.2%	0.0%	0.1%
	8:30	Import prices (m/m)	May	-0.3%	-0.1%	0.1%
	8:30	Retail sales				
		Total (m/m)	May	-0.7%	-0.8%	0.1%
		Excluding automobiles (m/m)	May	0.2%	0.0%	0.1%
	9:15	Industrial production (m/m)	May	0.0%	0.4%	0.0%
	9:15	Production capacity utilization rate	May	77.7%	78.0%	77.7%
	10:00	NAHB Housing Market Index	June	36	n/a	34
	10:00	Business inventories (m/m)	April	0.0%	0.0%	0.1%
WEDNESDAY 18	8:30	Initial unemployment claims	June 9–13	245,000	252,000	248,000
	8:30	Housing starts (ann. rate)	May	1,360,000	1,375,000	1,361,000
	8:30	Building permits (ann. rate)	May	1,430,000	1,430,000	1,422,000
	14:00	Federal Reserve meeting	June	4.50%	4.50%	4.50%
	14:30	Speech by Federal Reserve Chair J. Powell				
THURSDAY 19	---	Markets closed (Juneteenth National Independence Day)				
FRIDAY 20	8:30	Philadelphia Fed index	June	-1.0	-5.0	-4.0
	10:00	Leading indicator (m/m)	May	-0.1%	0.0%	-1.0%
CANADA						
MONDAY 16	8:15	Housing starts (ann. rate)	May	252,500	235,000	278,600
	9:00	Existing home sales (m/m)	May	n/a	2.0%	-0.1%
TUESDAY 17	8:30	International securities transactions ($B)	April	n/a	n/a	-4.23
	13:30	Release of the Bank of Canada Summary of Deliberations				
WEDNESDAY 18	11:15	Speech by Bank of Canada Governor T. Macklem				
THURSDAY 19	---	---				
FRIDAY 20	8:30	Industrial product price index (m/m)	May	n/a	-0.1%	-0.8%
	8:30	Raw materials price index (m/m)	May	n/a	0.0%	-3.0%
	8:30	Retail sales				
		Total (m/m)	April	0.5%	0.4%	0.8%
		Excluding automobiles (m/m)	April	0.4%	0.9%	-0.7%

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

Economic Indicators

Week of June 16 to 20, 2025

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 15							
China	22:00	Industrial production	May		6.0%		6.1%
China	22:00	Retail sales	May		4.9%		5.1%
MONDAY 16							
Japan	---	Bank of Japan meeting	June	0.50%		0.50%	
Italy	4:00	Consumer price index – final	May	0.0%	1.7%	0.0%	1.7%
TUESDAY 17							
Germany	5:00	ZEW Current Conditions Survey	June	-74.5		-82.0	
Germany	5:00	ZEW Expectations Survey	June	35.0		25.2	
Japan	19:50	Trade balance (¥B)	May	-350.6		-408.9	
WEDNESDAY 18							
United Kingdom	2:00	Consumer price index	May	0.2%	3.3%	1.2%	3.5%
Sweden	3:30	Bank of Sweden meeting	June	2.00%		2.25%	
Eurozone	4:00	Current account (€B)	April	n/a		50.9	
Italy	4:30	Current account (€M)	April	n/a		1,644	
Eurozone	5:00	Consumer price index – final	May	0.0%	1.9%	0.0%	2.2%
Brazil	17:30	Central Bank of Brazil meeting	June	14.75%		14.75%	
THURSDAY 19							
Switzerland	3:30	Swiss National Bank meeting	June	0.00%		0.25%	
Norway	4:00	Bank of Norway meeting	June	4.50%		4.50%	
Eurozone	5:00	Construction	April	n/a	n/a	0.1%	-1.1%
United Kingdom	7:00	Bank of England meeting	June	4.25%		4.25%	
United Kingdom	19:01	Consumer confidence	June	-20		-20	
Japan	19:30	Consumer price index	May		3.5%		3.6%
FRIDAY 20							
United Kingdom	2:00	Retail sales	May	-0.5%	1.7%	1.2%	5.0%
Germany	2:00	Producer price index	May	-0.3%	-1.2%	-0.6%	-0.9%
France	2:45	Business confidence	June	97		96	
France	2:45	Production outlook	June	-12		-13	
France	2:45	Wages – final	Q1	n/a		0.7%	
Eurozone	4:00	M3 money supply	May		4.0%		3.9%
Eurozone	10:00	Consumer confidence – preliminary	June	-14.6		-15.2	

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