

ECONOMIC & FINANCIAL OUTLOOK

Encouraging outlook, but uncertainties are high

HIGHLIGHTS

- ▶ Consumer and business confidence jumped at year-end in the United States. However, other data, like retail sales and job creation, provided a mixed picture. Real GDP growth is expected to have been almost 2.5% in the fourth quarter, putting the annual gain for 2016 at 1.6%. The U.S. economy should strengthen in 2017, but it all depends on the policies President Trump puts forward.
- ▶ Confidence is also on the rise in the euro zone, but the real indicators are not suggesting major acceleration by growth. China's economy posted an annual change of 6.8% in the fourth quarter, after three consecutive quarter at 6.7%. It reflects the stabilization orchestrated by Chinese authorities. India's economy seems to have been hurt by the government decision to take some bank notes out of circulation.
- ▶ In Canada, the fourth quarter of 2016 started off on the wrong foot with real GDP by industry dropping 0.3% in October. That being said, the outlook looks better for the last two months of 2016. Among other things, the volume of merchandise exports rebounded 3.9% in November, while the labour market created more than 200,000 jobs in the last five months of 2016. After rising an estimated 1.3% in 2016, Canada's real GDP should grow 1.9% in 2017 and 2.0% in 2018.
- ▶ In Quebec, economic conditions are better than we thought. Among other things, household consumption spending posted very robust growth thanks to a faster advance by households' disposable income. Also, about 45% of the Canadian jobs created in the last five months of 2016 are in Quebec. Under these conditions, we have increased our growth outlook for Quebec's economy for 2016 and 2017.
- ▶ In Ontario, economic growth is maintaining a fairly high cruising speed. The housing market is expected to slow somewhat in the coming quarters, however, which should limit real GDP growth a little in 2017 and 2018. The same applies to British Columbia, where sales of existing properties have already started to slow. In contrast, Alberta, Saskatchewan and Newfoundland and Labrador should see economic conditions improve as the energy sector stabilizes.

MAIN CHANGES

- ▶ Estimated global real GDP growth for 2016 goes from 3.0% to 2.9%. One reason for the decrease is the decline in the forecasts for India's economy. The forecast for Japan has been increased subsequent to the revision of the national accounts. The British economy's resilience prompts an upgrade to the 2017 growth forecast.
- ▶ Quebec's real GDP grew 2.1% in the third quarter of 2016. If we also factor in the substantial increases seen in the first half of the year, the carryover is fairly high for 2016. Under these conditions, our forecast for 2016 as a whole has been increased to 1.8%. More positive base effects also prompt a slight increase for 2017, to 1.7%. A gain of 1.5% is still expected for 2018.

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RISKS INHERENT IN OUR SCENARIOS

The weakness in emerging economies remains a source of concern. A pullback by the European economy, tough negotiations with the United Kingdom after the referendum on Brexit and persisting geopolitical risks could also disrupt the global economy, as could the possibility of trade wars. In the United States, the uncertainty over what policies Donald Trump's new administration will put forward is a major source of risk. The forecasts could be heavily affected by how consumers, business, the financial markets and foreign governments react to factors such as the new president's protectionism, ballooning U.S. federal government debt, and immigration reform. In Canada, the risks remain tilted to the downside and uncertainty has notched up due to the resurgence of U.S. protectionism. Among other things, the future of the North American Free Trade Agreement (NAFTA) is uncertain. The situation in the housing market and high household debt loads are also a source of concern, particularly given the new federal rules on home credit and the increase in some mortgage rates. Bond yields adjusted upwards after the U.S. presidential election. They remain low, however, and our scenarios only expect interest rates to go up gradually in the coming quarters. The emergence of fears of a real spike by inflation or loss of confidence in the U.S. government's solvency could, however, trigger a much bigger rise by bond yields, possibly destabilizing financial markets. The recent surge in optimism in the markets could also persist, prompting a faster-than-anticipated rise by the stock markets, interest rates, and commodity prices. This would also boost the Canadian dollar.

TABLE 1
World GDP growth (adjusted for PPP) and inflation rate

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE ¹		
		2016f	2017f	2018f	2016f	2017f	2018f
Advanced economies	39.3	1.6	1.9	1.8	0.8	1.6	1.8
United States	15.8	1.6	2.5	2.1	1.3	2.0	2.3
Canada	1.4	1.3	1.9	2.0	1.4	1.8	2.0
Quebec	0.3	1.8	1.7	1.5	0.7	1.5	2.0
Ontario	0.5	2.7	2.3	2.2	1.8	1.9	2.2
Japan	4.2	1.0	1.0	0.9	-0.2	0.5	0.9
United Kingdom	2.4	2.0	1.4	1.2	0.7	2.0	2.3
Euro zone	11.9	1.6	1.4	1.5	0.2	1.3	1.5
Germany	3.4	1.7	1.4	1.5	0.5	1.5	1.7
France	2.3	1.1	1.1	1.4	0.2	1.2	1.4
Italy	1.9	0.9	0.7	0.9	-0.1	0.9	1.2
Other countries	4.0	1.4	1.3	1.4	0.7	1.0	1.1
Australia	1.0	2.9	2.7	2.7	1.3	2.1	2.4
Emerging and developing economies	60.7	3.8	4.2	4.4	5.0	5.3	4.1
North Asia	25.4	6.6	6.5	6.3	2.8	3.0	3.1
China	17.2	6.7	6.4	5.9	2.0	2.1	2.0
India	7.0	7.0	7.2	7.5	5.0	5.0	5.1
South Asia	5.3	4.5	4.6	4.6	2.1	3.0	3.4
Latin America	6.8	-1.1	1.1	1.7	6.2	4.4	4.0
Mexico	1.9	2.0	1.7	1.0	2.8	4.1	3.4
Brazil	2.8	-3.4	0.2	1.5	9.4	5.0	4.8
Eastern Europe	7.3	1.1	2.1	2.4	5.7	4.9	4.9
Russia	3.1	-0.6	1.1	1.2	7.1	4.9	5.1
Other countries	15.9	2.4	2.5	3.3	10.9	13.1	8.3
South Africa	0.6	0.5	1.2	1.8	6.3	5.6	5.1
World	100.0	2.9	3.3	3.4	2.9	3.5	3.0

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2015;

¹ The inflation forecasts were revised to no longer account for Venezuela. Major international organizations are now doing the same.

Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

FINANCIAL FORECASTS

The surge in optimism that followed the U.S. election has given way to some hesitation in the financial markets in early 2017. Investors seem to be waiting for more concrete developments that would justify the major rises of the stock markets, bond yields and U.S. dollar. The new U.S. president's first announcements could therefore have a major influence on financial markets. While North American stock markets have still managed to advance a little since the start of 2017, bond yields have retreated since mid-December. Despite fairly encouraging economic data and positive remarks from several Federal Reserve leaders, investors are sceptical about the possibility of another increase to U.S. key rates at the March meeting. The greenback has retreated against several currencies since the start of the year; the euro and Canadian dollar have been helped by favourable economic statistics. Recent market movements are fairly consistent with our scenarios, which called for a period of consolidation in the early months of 2017. We continue to expect two 0.25% increases to U.S. key rates this year, while everything indicates the Bank of Canada will opt for the status quo until 2018, at least. Governor Poloz recently emphasized the many risks surrounding the Canadian outlook that are keeping an interest rate cut on the table. As we only expect oil prices to edge up this year, diverging monetary policies in North America should, sooner or later, hurt the Canadian dollar.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2016		2017				2018			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.75	2.00
Canada	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
United Kingdom	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Federal bonds										
<u>United States</u>										
2-year	0.76	1.17	1.20	1.40	1.45	1.60	1.60	1.90	2.15	2.30
5-year	1.15	1.92	1.95	2.05	2.15	2.30	2.30	2.55	2.85	2.90
10-year	1.61	2.45	2.50	2.55	2.65	2.80	2.75	2.95	3.25	3.25
30-year	2.33	3.06	3.05	3.15	3.20	3.30	3.30	3.40	3.55	3.55
<u>Canada</u>										
2-year	0.52	0.75	0.70	0.75	0.80	0.85	0.85	1.10	1.25	1.40
5-year	0.62	1.12	1.10	1.20	1.30	1.40	1.40	1.65	1.90	2.00
10-year	1.00	1.72	1.70	1.75	1.85	1.95	1.90	2.10	2.35	2.40
30-year	1.66	2.31	2.30	2.35	2.40	2.50	2.50	2.55	2.65	2.70
Currency market										
Canadian dollar (USD/CAD)	1.31	1.34	1.35	1.39	1.39	1.41	1.41	1.43	1.41	1.39
Canadian dollar (CAD/USD)	0.76	0.74	0.74	0.72	0.72	0.71	0.71	0.70	0.71	0.72
Euro (EUR/USD)	1.12	1.05	1.05	1.03	1.03	1.02	1.01	1.01	1.00	1.01
British pound (GBP/USD)	1.30	1.24	1.21	1.17	1.15	1.14	1.13	1.12	1.10	1.10
Yen (USD/JPY)	101	117	117	120	120	122	122	123	124	125
Stock markets (level and growth)*										
United States – S&P 500	2,239		Target: 2,400 (+7.2%)				Target: 2,450 (+2.1%)			
Canada – S&P/TSX	15,288		Target: 16,200 (+6.0%)				Target: 16,750 (+3.4%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	43 (54*)		55 (58*)				57 (60*)			
Gold (US\$/ounce)	1,249 (1,157*)		1,150 (1,100*)				1,050 (1,000*)			

f: forecasts; WTI: West Texas Intermediate; * End of year.
 Sources: Datastream and Desjardins, Economic Studies

TABLE 3
United States: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2016		2017				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2015	2016f	2017f	2018f
Real GDP (2009 US\$)	3.5	2.4	1.3	3.2	3.6	2.6	2.6	1.6	2.5	2.1
Personal consumption expenditures	3.0	2.7	1.6	3.6	4.1	3.2	3.2	2.7	2.9	2.5
Residential construction	-4.1	6.2	4.2	3.3	3.8	2.8	11.7	4.7	2.4	2.4
Business fixed investment	1.4	4.3	3.1	7.7	7.0	2.0	2.1	-0.3	4.2	2.9
Inventory change (US\$B)	7.1	25.0	25.0	20.0	20.0	50.0	84.0	15.8	28.8	-6.3
Public expenditures	0.8	1.0	0.7	1.8	1.1	1.3	1.8	0.9	0.9	1.5
Exports	10.0	-4.0	1.0	1.0	1.5	1.5	0.1	0.4	1.2	0.2
Imports	2.2	2.5	4.0	4.0	4.0	7.5	4.6	0.8	3.5	-0.4
Final domestic demand	2.1	2.8	1.7	3.8	3.9	2.7	3.1	2.1	2.7	2.4
Other indicators										
Nominal GDP	5.0	4.5	3.1	4.9	4.9	4.8	3.7	3.0	4.3	4.2
Employment according to establishments	1.8	1.4	1.4	1.4	1.5	1.5	2.1	1.7	1.5	1.2
Unemployment rate (%)	4.9	4.7	4.7	4.6	4.5	4.4	5.3	4.9	4.6	4.4
Housing starts ¹ (thousands of units)	1,145	1,216	1,185	1,217	1,232	1,232	1,108	1,168	1,216	1,249
Total inflation rate*	1.1	1.8	2.4	1.9	1.9	1.8	0.1	1.3	2.0	2.3
Core inflation rate* ²	2.2	2.2	2.0	1.8	1.7	1.8	1.8	2.2	1.8	2.5

f: forecasts; * Annual change; ¹ Annualized basis; ² Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2016		2017				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2015	2016f	2017f	2018f
Real GDP (2007 \$)	3.5	1.6	1.9	2.2	1.7	1.8	0.9	1.3	1.9	2.0
Final consumption expenditure [of which:]	1.6	2.1	2.4	2.5	2.5	2.6	1.8	2.1	2.3	2.4
Household consumption expenditure	2.6	1.7	1.7	1.9	2.1	2.4	1.9	2.2	2.0	2.2
Governments consumption expenditure	-1.2	3.0	4.0	4.0	3.5	3.0	1.5	2.1	3.1	2.8
Gross fixed capital formation [of which:]	-1.3	-1.7	0.9	1.2	0.8	0.6	-4.6	-2.7	0.1	0.5
Residential structures	-5.5	-1.2	-1.9	-2.2	-2.1	-2.1	3.8	2.4	-2.2	-1.4
Non-residential structures	15.7	-12.5	-1.5	-1.0	-0.5	-0.5	-16.0	-9.5	-1.6	-0.2
Machinery and equipment	-12.2	5.0	-2.0	-1.0	-0.5	0.0	-3.3	-3.5	-1.2	0.0
Intellectual property products	-17.0	-2.0	-1.0	-0.5	1.5	2.0	-9.0	-5.8	-2.7	0.9
Governments gross fixed capital formation	2.6	10.0	15.0	15.0	10.0	8.0	4.5	1.1	10.4	5.6
Investment in inventories (2007 \$B)	4.6	2.0	1.0	0.5	-1.0	-2.3	3.9	-0.2	-0.4	0.3
Exports	8.9	1.5	3.0	4.0	3.5	3.0	3.4	0.9	2.5	2.7
Imports	3.3	-1.6	2.5	3.5	3.5	3.0	0.3	-0.6	2.1	2.8
Final domestic demand	0.9	1.2	2.1	2.3	2.1	2.2	0.3	1.0	1.8	2.0
Other indicators										
Nominal GDP	6.1	3.6	3.1	4.0	3.2	3.8	0.2	1.9	3.6	3.8
Employment	0.3	2.7	0.9	0.6	1.0	1.1	0.8	0.7	1.1	1.0
Unemployment rate (%)	7.0	6.9	6.9	6.9	6.8	6.8	6.9	7.0	6.8	6.6
Housing starts ¹ (thousands of units)	199	197	183	178	173	171	196	198	176	172
Total inflation rate*	1.2	1.4	1.7	1.7	1.9	1.9	1.1	1.4	1.8	2.0
Core inflation rate* ²	2.0	1.8	1.4	1.2	1.4	1.8	1.8	1.9	1.4	1.8

f: forecasts; * Annual change; ¹ Annualized basis; ² Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2014	2015	2016f	2017f	2018f
Real GDP (2007 \$)	1.3	1.2	1.8	1.7	1.5
Final consumption expenditure [of which:]	1.3	0.4	2.3	1.7	1.6
Household consumption expenditure	1.6	1.1	2.4	2.0	1.7
Governments consumption expenditure	1.1	-1.4	1.9	1.1	1.3
Gross fixed capital formation [of which:]	-8.1	-1.7	-0.2	2.5	1.8
Residential structures	-0.8	0.3	3.4	0.5	0.5
Non-residential structures	-10.7	-7.9	-1.3	1.1	1.1
Machinery and equipment	-17.0	-3.5	-3.6	-0.2	0.5
Intellectual property products	-4.6	-3.8	-1.5	0.2	1.2
Governments gross fixed capital formation	-11.2	3.7	-2.0	10.1	5.6
Investment in inventories (2007 \$B)	2,370	2,365	-350	-2,375	-2,000
Exports	3.6	3.8	0.1	2.7	2.6
Imports	-1.8	0.9	-1.3	3.5	2.7
Final domestic demand	-0.6	0.0	1.8	1.5	1.2
Other indicators					
Nominal GDP	1.9	2.6	3.1	3.1	3.2
Employment	0.0	0.9	0.9	1.4	0.5
Unemployment rate (%)	7.7	7.6	7.1	6.8	6.7
Retail sales	1.7	0.5	4.3	3.2	3.0
Housing starts ¹ (thousands of units)	38.8	37.9	38.9	34.3	32.0
Total inflation rate	1.4	1.1	0.7	1.5	2.0

 f: forecasts; ¹ Annualized basis.

Sources: Statistics Canada, Institut de la statistique du Québec, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

TABLE 6
Ontario: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2014	2015	2016f	2017f	2018f
Real GDP (2007 \$)	2.7	2.5	2.7	2.3	2.2
Final consumption expenditure [of which:]	2.4	2.6	2.4	2.0	1.8
Household consumption expenditure	2.8	2.7	2.6	2.1	2.2
Governments consumption expenditure	1.2	2.2	1.7	1.5	0.5
Gross fixed capital formation [of which:]	1.5	5.3	2.3	1.2	0.6
Residential structures	0.7	7.2	6.9	-0.9	-2.4
Non-residential structures	7.7	9.7	-1.6	-2.1	0.4
Machinery and equipment	4.3	6.8	-1.5	-1.7	0.6
Intellectual property products	-5.4	-2.7	1.0	0.7	2.1
Governments gross fixed capital formation	-0.1	0.6	-0.4	10.3	5.6
Investment in inventories (2007 \$B)	4,101	3,510	38	900	1,750
Exports	4.4	2.8	2.9	2.7	3.4
Imports	4.0	3.7	1.4	1.8	2.5
Final domestic demand	2.2	3.1	2.3	1.8	1.6
Other indicators					
Nominal GDP	4.7	4.9	4.5	4.0	4.1
Employment	0.8	0.7	1.1	1.2	1.1
Unemployment rate (%)	7.3	6.8	6.5	6.4	6.2
Retail sales	5.0	4.2	4.8	3.7	3.2
Housing starts ¹ (thousands of units)	59.1	70.2	75.0	66.5	62.7
Total inflation rate*	2.4	1.2	1.8	1.9	2.2

 f: forecasts; * Annual change; ¹ Annualized basis.

Sources: Statistics Canada, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

TABLE 7
Canada: Major economic indicators by provinces

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2014	2015	2016	2017f	2018f
Real GDP growth – Canada	2.6	0.9	1.3	1.9	2.0
Atlantic	0.1	0.5	0.5	0.5	0.7
Quebec	1.3	1.2	1.8	1.7	1.5
Ontario	2.7	2.5	2.7	2.3	2.2
Manitoba	1.5	2.2	1.9	2.0	2.0
Saskatchewan	2.4	-1.3	-0.5	1.7	2.0
Alberta	5.0	-3.6	-2.6	1.9	2.5
British Columbia	3.3	3.3	3.0	2.0	2.3
Total inflation rate – Canada	2.0	1.1	1.4	1.8	2.0
Atlantic	1.7	0.4	1.9	1.8	1.8
Quebec	1.4	1.1	0.7	1.5	2.0
Ontario	2.4	1.2	1.8	1.9	2.2
Manitoba	1.9	1.2	1.3	1.3	1.8
Saskatchewan	2.4	1.6	1.1	1.2	1.7
Alberta	2.6	1.1	1.1	1.5	2.0
British Columbia	1.0	1.1	1.8	1.9	2.2
Employment growth – Canada	0.6	0.8	0.7	1.1	1.0
Atlantic	-0.9	-0.4	-0.7	0.6	0.7
Quebec	0.0	0.9	0.9	1.4	0.5
Ontario	0.8	0.7	1.1	1.2	1.1
Manitoba	0.1	1.5	-0.4	0.3	0.8
Saskatchewan	1.0	0.5	-0.9	0.2	0.7
Alberta	2.2	1.2	-1.6	0.3	1.1
British Columbia	0.6	1.2	3.2	1.8	1.3
Unemployment rate – Canada	6.9	6.9	7.0	6.8	6.6
Atlantic	10.0	10.0	9.9	9.8	9.6
Quebec	7.7	7.6	7.1	6.8	6.7
Ontario	7.3	6.8	6.5	6.4	6.2
Manitoba	5.4	5.6	6.1	6.0	5.8
Saskatchewan	3.8	5.0	6.3	6.1	5.8
Alberta	4.7	6.0	8.1	7.8	7.4
British Columbia	6.1	6.2	6.0	6.0	6.0
Retail sales growth – Canada	4.6	1.7	3.8	3.6	3.0
Atlantic	3.1	0.7	3.3	2.7	2.3
Quebec	1.7	0.5	4.3	3.2	3.0
Ontario	5.0	4.2	4.8	3.7	3.2
Manitoba	4.3	1.5	4.5	3.8	3.0
Saskatchewan	4.6	-3.5	0.6	2.0	2.2
Alberta	7.5	-4.6	-1.7	2.6	2.5
British Columbia	5.6	6.0	7.0	5.2	4.0
Housing starts – Canada (thousands of units)	189.3	195.5	197.9	176.1	171.9
Atlantic	8.0	8.1	7.6	6.9	7.4
Quebec	38.8	37.9	38.9	34.3	32.0
Ontario	59.1	70.2	75.0	66.5	62.7
Manitoba	6.2	5.5	5.3	4.4	4.8
Saskatchewan	8.3	5.1	4.8	5.0	6.0
Alberta	40.6	37.3	24.5	26.0	29.0
British Columbia	28.4	31.4	41.8	33.0	30.0

f: forecasts

Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

TABLE 8
Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE							AVERAGES	
	2015	2016	2017f	2018f	2019f	2020f	2021f	2009–2015	2016–2021f
United States									
Real GDP (var. in %)	2.6	1.6	2.5	2.1	1.8	1.3	1.9	1.5	1.9
Total inflation rate (var. in %)	0.1	1.3	2.0	2.3	2.5	1.8	1.5	1.4	1.9
Unemployment rate	5.3	4.9	4.6	4.4	4.6	5.2	5.8	7.8	4.9
S&P 500 index (var. in %) ¹	-0.7	9.5	7.2	2.1	0.0	4.0	8.0	12.8	5.1
Federal funds rate	0.26	0.51	1.00	1.65	1.80	1.50	1.55	0.25	1.34
Prime rate	3.26	3.51	4.00	4.65	4.80	4.50	4.55	3.25	4.34
Treasury bills – 3-month	0.05	0.32	0.85	1.50	1.60	1.30	1.40	0.08	1.16
Federal bonds – 10-year	2.13	1.84	2.65	3.05	2.80	2.45	2.80	2.57	2.60
– 30-year	2.84	2.60	3.15	3.45	3.10	2.75	3.05	3.54	3.02
WTI oil (US\$/barrel)	49	43	55	57	52	52	58	81	53
Gold (US\$/ounce)	1,160	1,249	1,150	1,050	1,150	1,200	1,150	1,325	1,158
Canada									
Real GDP (var. in %)	0.9	1.3	1.9	2.0	1.2	1.0	1.7	1.6	1.5
Total inflation rate (var. in %)	1.1	1.4	1.8	2.0	1.6	1.1	1.5	1.5	1.6
Employment (var. in %)	0.8	0.7	1.1	1.0	0.6	0.3	0.5	0.8	0.7
Employment (thousands)	144	133	200	187	113	56	91	134	130
Unemployment rate	6.9	7.0	6.8	6.6	6.6	6.8	6.6	7.4	6.7
Housing starts (thousands of units)	196	198	176	172	175	170	180	189	178
S&P/TSX index (var. in %) ¹	-11.1	17.5	6.0	3.4	0.0	5.0	10.0	6.3	7.0
Exchange rate (US\$/C\$)	0.78	0.75	0.72	0.71	0.73	0.72	0.77	0.93	0.73
Overnight funds	0.65	0.50	0.50	0.55	0.80	0.50	0.55	0.81	0.57
Prime rate	2.79	2.70	2.70	2.75	3.00	2.70	2.75	2.83	2.77
Mortgage rate – 1-year	2.97	3.14	3.15	3.20	3.20	3.00	3.20	3.36	3.15
– 5-year	4.67	4.66	4.75	4.90	4.95	4.85	5.05	5.25	4.86
Treasury bills – 3-month	0.53	0.49	0.55	0.65	0.75	0.50	0.60	0.74	0.59
Federal bonds – 2-year	0.55	0.56	0.80	1.15	1.05	0.70	1.00	1.14	0.88
– 5-year	0.86	0.73	1.25	1.75	1.55	1.15	1.55	1.75	1.33
– 10-year	1.53	1.26	1.80	2.20	2.00	1.70	2.05	2.45	1.83
– 30-year	2.20	1.93	2.40	2.60	2.35	2.00	2.30	3.03	2.26
<u>Yield spreads (Canada—United States)</u>									
Treasury bills – 3-month	0.21	-0.36	-0.95	-0.95	-0.55	-0.90	0.52	0.52	-0.57
Federal bonds – 10-year	-0.31	-1.39	-1.25	-0.60	-0.45	-1.10	-0.52	-0.52	-0.76
– 30-year	-0.40	-1.22	-1.05	-0.50	-0.40	-1.05	-1.24	-1.24	-0.75
Quebec									
Real GDP (var. in %)	1.2	1.8	1.7	1.5	1.0	0.8	1.2	1.2	1.3
Total inflation rate (var. in %)	1.1	0.7	1.5	2.0	1.5	1.0	1.5	1.5	1.4
Employment (var. in %)	0.9	0.9	1.4	0.5	0.4	0.3	0.4	0.8	0.7
Employment (thousands)	37	36	58	23	17	13	17	31	27
Unemployment rate	7.6	7.1	6.8	6.7	6.6	6.7	6.6	7.9	6.7
Retail sales (var. in %)	0.5	4.3	3.2	3.0	2.3	2.0	2.5	2.0	2.9
Housing starts (thousands of units)	38	39	34	32	32	30	33	44	33
Ontario									
Real GDP (var. in %)	2.5	2.7	2.3	2.2	1.3	1.1	1.7	1.5	1.9
Total inflation rate (var. in %)	1.2	1.8	1.9	2.2	1.7	1.2	1.6	1.7	1.7
Employment (var. in %)	0.7	1.1	1.2	1.1	0.7	0.4	0.6	0.7	0.9
Employment (thousands)	45	76	81	81	50	29	43	45	60
Unemployment rate	6.8	6.5	6.4	6.2	6.1	6.3	6.1	7.9	6.3
Retail sales (var. in %)	4.2	4.8	3.7	3.2	3.0	2.5	3.2	2.8	3.4
Housing starts (thousands of units)	70	75	66	63	62	60	65	64	65

 f: forecasts; WTI : West Texas Intermediate; ¹ Variations are based on observation of the end of period.

Sources: Datastream, Statistics Canada, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies