

# ECONOMIC & FINANCIAL OUTLOOK



## The Quebec Economy Is Surprisingly Strong

### HIGHLIGHTS

- ▶ The annualized increase in real GDP in the euro zone reached 2.5% in the second quarter, its best performance since the winter of 2015. The main indicators suggest that the growth of the Euroland economy will remain good, but will not accelerate as quickly. Japan's real GDP also saw faster growth in the spring. On the other hand, the United Kingdom is mired in weaker growth, as the British government's Brexit strategy appears to be rather chaotic.
- ▶ In the United States, the 2.6% growth recorded in the spring proved to be close to expectations. The indicators released since the beginning of summer suggest that the U.S. economy should grow even faster in the third quarter. The job market performed well, but inflation remains weak.
- ▶ In Canada, taking into account the growth in real GDP by industry observed in April and May, the carryover for all of the second quarter is very high. Therefore, economic growth should be strong in the spring, just as it was during the first quarter. That being said, a slight deceleration is anticipated beginning in mid-2017.
- ▶ The Quebec economy is clearly doing better than anticipated since the beginning of 2017. The year got off to a great start, with annualized economic growth at 4.3% in the first quarter. Job creation was also stronger than expected, and the unemployment rate plunged to 5.8% in July, a monthly low since 1976.
- ▶ In Ontario, real GDP rose 3.9% in the first quarter of 2017, surpassing the national average once again. The outlook remains favourable for the coming quarters. Growth in the oil-producing provinces is improving, which will reduce the regional disparities across the country. British Columbia led the country for many economic indicators.
- ▶ The Bank of Canada is expected to increase its key rates by 0.25% for the second time in October. It should then proceed more gradually by increasing rates by 0.25% every six months.

### MAIN CHANGES

- ▶ Following the official revision of U.S. national accounts, real GDP in 2017 was adjusted downwards. Therefore, the anticipated gain was reduced from 2.3% to 2.1%.
- ▶ With growth very strong in the first quarter, the forecast for Canadian real GDP was raised from 2.6% to 2.9% for 2017. Because of a more positive carryover, the projection for 2018 was also raised slightly. The forecasts for most of the provinces were revised upwards as well. The slow increase in prices calls for a downward revision of inflation in Canada.
- ▶ Quebec's strong economic growth since the start of the year led to real GDP being adjusted upwards, from 2.0% to 2.5% for 2017. The rapid drop in the unemployment rate justifies the forecast adjustment. The rate will reach 6.0% on average this year, then 5.7% next year. The target rate for 2017 was lowered once again, from 1.2% to 0.9%, thanks to the persistently low rate of inflation.

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François Dupuis, Vice-President and Chief Economist • Hélène Bégin, Senior Economist • Mathieu D'Anjou, Senior Economist  
 Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist • Jimmy Jean, Senior Economist • Hendrix Vachon, Senior Economist  
**Desjardins, Economic Studies:** 514-281-2336 or 1 866-866-7000, ext. 5552336 • [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](http://desjardins.com/economics)

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**RISKS INHERENT IN OUR SCENARIOS**

The weakness in emerging economies remains a source of concern. The pullback by the European economy, the election results in Germany, the difficult Brexit negotiations with the United Kingdom and ongoing geopolitical threats, as well as any potential trade wars, may also disrupt the global economy. In the United States, the political uncertainty of the Trump administration is a major source of risk. The forecasts could be significantly impacted by the way households, businesses, financial markets and foreign governments react to things such as the president's protectionism, the federal government's ballooning debt, and immigration reform. Political uncertainty fed by doubts concerning the administration's integrity may also affect the markets. All eyes will have to remain focused on the Federal Reserve (Fed), as changes to U.S. monetary policy remain uncertain. Janet Yellen mandate as Fed Chair will end in February 2018. If she's not renewed, the choice of her successor could have a considerable effect on the financial markets. A lower or higher rate of inflation than expected would also have major impacts on monetary policy and bond yields. In Canada, there is considerable uncertainty surrounding a surge in U.S. protectionism. Furthermore, the future of the North American Free Trade Agreement (NAFTA) hangs in the balance. This has raised concerns, particularly in Quebec and Ontario, given the importance of international trade with the United States. The real estate situation in Canada and high household debt are still a source of concern.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE <sup>1</sup>		
		2016	2017f	2018f	2016	2017f	2018f
<b>Advanced economies</b>	<b>39.3</b>	<b>1.6</b>	<b>2.1</b>	<b>2.0</b>	<b>0.8</b>	<b>1.7</b>	<b>1.7</b>
United States	15.8	1.5	2.1	2.3	1.3	2.1	2.1
Canada	1.4	1.5	2.9	2.1	1.4	1.5	1.8
Quebec	0.3	1.7	2.5	1.8	0.7	0.9	1.5
Ontario	0.5	2.7	2.9	2.2	1.8	1.6	1.8
Japan	4.2	1.0	1.9	1.0	-0.1	0.5	0.8
United Kingdom	2.4	1.8	1.6	1.3	0.7	2.7	2.7
Euro zone	11.9	1.7	2.1	1.8	0.2	1.5	1.4
Germany	3.4	1.9	2.1	1.8	0.5	1.7	1.6
France	2.3	1.1	1.7	1.7	0.2	1.1	1.2
Italy	1.9	1.0	1.4	1.1	-0.1	1.4	1.2
Other countries	4.0	1.3	1.3	1.5	0.7	1.0	1.1
Australia	1.0	2.5	2.1	2.8	1.3	2.2	2.3
<b>Emerging and developing economies</b>	<b>60.7</b>	<b>3.9</b>	<b>4.3</b>	<b>4.5</b>	<b>5.2</b>	<b>6.5</b>	<b>4.9</b>
North Asia	25.4	6.9	6.7	6.5	2.8	2.5	2.9
China	17.2	6.7	6.6	6.3	2.0	1.8	2.1
India	7.0	7.9	7.2	7.5	5.0	3.8	4.6
South Asia	5.3	4.6	4.8	4.8	2.1	3.1	3.0
Latin America	6.8	-1.5	0.8	1.8	6.1	4.1	3.9
Mexico	1.9	2.3	1.9	2.0	2.8	5.9	3.9
Brazil	2.8	-3.6	0.3	1.7	8.7	3.4	4.2
Eastern Europe	7.3	1.6	2.7	2.6	5.7	5.3	4.6
Russia	3.1	-0.2	1.4	1.7	7.1	4.1	4.2
Other countries	15.9	2.3	2.1	3.0	11.7	17.9	11.9
South Africa	0.6	0.5	0.8	1.6	6.3	5.5	5.2
<b>World</b>	<b>100.0</b>	<b>3.0</b>	<b>3.4</b>	<b>3.6</b>	<b>3.0</b>	<b>4.2</b>	<b>3.4</b>

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

<sup>1</sup> 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**

Overall, the situation remained favourable during recent months. The good performance of the advanced economies, the strong growth in business profits, and very accommodating financial conditions continue to sustain the financial markets. However, tensions between North Korea and the United States, and the difficulties of the Trump administration, are raising concerns that are limiting stock market gains. Bond yields continue to remain very low generally, as inflation has dropped in several countries and investors are counting on a continuation of highly accommodating monetary policies, especially in the United States, the euro zone and Japan. However, in Canada, the start of monetary tightening in July caused bond yields to increase and led the loonie to soar to roughly US\$0.80. While the surge in the Canadian economy appears to be continuing, the Bank of Canada is expected to raise its key rates by 0.25% for a second time in October, thus ending the monetary easing begun in 2015. It should then proceed more gradually by increasing rates by 0.25% every six months. This will help to stabilize the loonie near its current level against the backdrop of limited gains in oil prices. As the job market's excellent performance should convince the Federal Reserve to pursue its monetary tightening at a quicker pace than what investors expect, bond yields and the value of the U.S. dollar are expected to start rising once again during the coming quarters.

**TABLE 2**  
**Summary of the financial forecasts**

END OF PERIOD IN % (EXCEPT IF INDICATED)	2016		2017				2018			
	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Key interest rate</b>										
United States	0.50	0.75	1.00	1.25	1.25	1.50	1.75	1.75	2.00	2.25
Canada	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.25	1.25	1.50
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
<b>Federal bonds</b>										
<u>United States</u>										
2-year	0.76	1.17	1.24	1.37	1.45	1.70	1.95	2.00	2.25	2.45
5-year	1.15	1.92	1.92	1.88	1.90	2.20	2.50	2.65	2.90	3.00
10-year	1.61	2.45	2.40	2.30	2.35	2.60	2.85	3.00	3.20	3.30
30-year	2.33	3.06	3.02	2.84	2.95	3.15	3.30	3.35	3.50	3.60
<u>Canada</u>										
2-year	0.52	0.75	0.75	1.10	1.35	1.50	1.70	1.75	1.95	2.10
5-year	0.62	1.12	1.12	1.40	1.65	1.80	1.95	2.10	2.35	2.45
10-year	1.00	1.72	1.62	1.77	2.05	2.20	2.30	2.45	2.65	2.75
30-year	1.66	2.31	2.30	2.15	2.45	2.60	2.70	2.75	2.95	3.05
<b>Currency market</b>										
Canadian dollar (USD/CAD)	1.31	1.34	1.33	1.30	1.25	1.27	1.28	1.26	1.27	1.23
Canadian dollar (CAD/USD)	0.76	0.74	0.75	0.77	0.80	0.79	0.78	0.80	0.79	0.81
Euro (EUR/USD)	1.12	1.05	1.07	1.14	1.17	1.14	1.14	1.15	1.16	1.18
British pound (GBP/USD)	1.30	1.24	1.25	1.30	1.30	1.27	1.26	1.25	1.25	1.25
Yen (USD/JPY)	101	117	111	112	112	115	117	118	119	120
<b>Stock markets (level and growth)*</b>										
United States – S&P 500	2,239		Target: 2,500 (+11.7%)				Target: 2,650 (+6.0%)			
Canada – S&P/TSX	15,288		Target: 15,900 (+4.0%)				Target: 17,000 (+6.9%)			
<b>Commodities (annual average)</b>										
WTI oil (US\$/barrel)	43 (54*)		50 (52*)				54 (55*)			
Gold (US\$/ounce)	1,249 (1,157*)		1,220 (1,150*)				1,100 (1,050*)			

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	Q4	Q1	Q2	Q3f	Q4f	2015	2016	2017f	2018f
Real GDP (2009 US\$)	2.8	1.8	1.2	2.6	2.8	2.5	2.9	1.5	2.1	2.3
Personal consumption expenditures	2.8	2.9	1.9	2.8	2.9	2.8	3.6	2.7	2.7	2.4
Residential construction	-4.5	7.1	11.1	-6.8	0.9	6.8	10.2	5.5	2.3	4.1
Business fixed investment	3.4	0.2	7.1	5.2	4.5	3.2	2.3	-0.6	4.2	3.7
Inventory change (US\$B)	17.6	63.1	1.2	-0.3	10.0	10.0	100.6	33.4	5.2	10.0
Public expenditures	0.5	0.2	-0.6	0.7	1.7	1.3	1.4	0.8	0.3	1.1
Exports	6.4	-3.8	7.3	4.1	2.0	2.0	0.4	-0.3	3.1	2.1
Imports	2.7	8.1	4.3	2.1	3.5	3.5	5.0	1.3	4.0	2.7
Final domestic demand	2.2	2.3	2.4	2.4	2.8	2.7	3.3	2.1	2.4	2.4
<b>Other indicators</b>										
Nominal GDP	4.2	3.8	3.3	3.6	4.1	5.1	4.0	2.8	3.9	4.5
Employment according to establishments	2.0	1.4	1.5	1.4	1.6	1.3	2.1	1.8	1.5	1.3
Unemployment rate (%)	4.9	4.7	4.7	4.4	4.3	4.3	5.3	4.9	4.4	4.3
Housing starts <sup>1</sup> (thousands of units)	1,150	1,248	1,238	1,165	1,223	1,260	1,107	1,177	1,222	1,304
Total inflation rate*	1.1	1.8	2.6	1.9	1.9	1.9	0.1	1.3	2.1	2.1
Core inflation rate* <sup>2</sup>	2.2	2.2	2.2	1.8	1.7	1.8	1.8	2.2	1.9	2.2

f: forecasts; \* Annual change; <sup>1</sup> Annualized basis; <sup>2</sup> 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	Q4	Q1	Q2f	Q3f	Q4f	2015	2016	2017f	2018f
<b>Real GDP</b> (2007 \$)	<b>4.2</b>	<b>2.7</b>	<b>3.7</b>	<b>3.7</b>	<b>2.1</b>	<b>1.9</b>	<b>0.9</b>	<b>1.5</b>	<b>2.9</b>	<b>2.1</b>
Final consumption expenditure [of which:]	1.7	2.5	3.2	3.2	2.2	2.4	1.8	2.2	2.7	2.1
Household consumption expenditure	3.0	3.0	4.3	3.9	2.4	2.4	1.9	2.4	3.3	2.1
Governments consumption expenditure	-1.7	1.3	0.5	1.5	1.5	2.5	1.5	2.0	1.0	2.3
Gross fixed capital formation [of which:]	1.6	-7.8	10.0	3.0	3.2	2.0	-4.6	-3.1	2.0	1.9
Residential structures	-5.1	6.3	15.7	-1.5	2.5	0.3	3.8	3.0	4.3	-0.2
Non-residential structures	30.5	-32.5	0.7	5.0	3.0	1.5	-16.0	-10.8	-3.0	2.1
Machinery and equipment	-15.8	-3.2	25.3	8.0	4.0	2.0	-3.3	-5.3	5.1	3.0
Intellectual property products	-17.0	-9.8	6.3	0.0	1.5	2.0	-9.0	-4.1	-2.3	1.1
Governments gross fixed capital formation	4.7	6.5	0.4	4.0	5.0	6.0	4.5	1.1	3.4	4.7
Investment in inventories (2007 \$B)	5.4	-2.5	12.3	15.8	13.8	12.5	3.9	-0.4	13.6	13.0
Exports	9.2	0.8	-0.3	9.5	3.0	2.5	3.4	1.0	2.5	3.0
Imports	4.3	-11.3	13.7	8.9	2.0	2.5	0.3	-0.9	3.6	2.4
Final domestic demand	1.7	0.1	4.7	2.1	1.5	1.6	0.3	1.0	2.2	1.4
<b>Other indicators</b>										
Nominal GDP	7.0	7.4	8.3	4.2	3.1	3.4	0.2	2.1	5.7	3.7
Employment	0.7	2.6	2.1	1.6	1.8	1.2	0.8	0.7	1.8	1.2
Unemployment rate (%)	7.0	6.9	6.7	6.5	6.4	6.3	6.9	7.0	6.5	6.3
Housing starts <sup>1</sup> (thousands of units)	199	197	223	207	212	198	196	198	210	188
Total inflation rate*	1.2	1.4	1.9	1.3	1.3	1.5	1.1	1.4	1.5	1.8
Core inflation rate* <sup>2</sup>	2.0	1.8	2.0	1.4	1.5	1.7	1.8	1.9	1.7	1.6

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

**TABLE 5**  
**Quebec: Major economic indicators**

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2014	2015	2016	2017f	2018f
<b>Real GDP (2007 \$)</b>	<b>1.3</b>	<b>1.2</b>	<b>1.7</b>	<b>2.5</b>	<b>1.8</b>
Final consumption expenditure [of which:]	1.3	0.4	2.3	2.3	2.0
Household consumption expenditure	1.6	1.1	2.4	2.8	2.3
Governments consumption expenditure	1.1	-1.4	1.9	0.9	1.3
Gross fixed capital formation [of which:]	-8.1	-1.7	1.2	3.4	1.0
Residential structures	-0.8	0.3	3.0	6.6	-0.7
Non-residential structures	-10.7	-7.9	0.7	1.8	2.4
Machinery and equipment	-17.0	-3.5	0.4	3.6	0.9
Intellectual property products	-4.6	-3.8	2.0	-0.4	1.1
Governments gross fixed capital formation	-11.2	3.7	-0.7	1.5	2.4
Investment in inventories (2007 \$B)	2,370	2,365	-292	-2,167	-3,500
Exports	3.6	3.8	-0.2	-1.5	2.0
Imports	-1.8	0.9	-0.9	1.4	2.1
Final domestic demand	-0.6	0.0	2.1	2.5	1.8
<b>Other indicators</b>					
Nominal GDP	1.9	2.6	2.9	3.6	3.4
Employment	0.0	0.9	0.9	2.0	0.8
Unemployment rate (%)	7.7	7.6	7.1	6.0	5.7
Retail sales	2.4	1.8	6.2	5.5	4.0
Housing starts <sup>1</sup> (thousands of units)	38.8	37.9	38.9	44.0	42.0
Total inflation rate	1.4	1.1	0.7	0.9	1.5

 f: forecasts; <sup>1</sup> 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	2016	2017f	2018f
<b>Real GDP (2007 \$)</b>	<b>2.7</b>	<b>2.5</b>	<b>2.7</b>	<b>2.9</b>	<b>2.2</b>
Final consumption expenditure [of which:]	2.4	2.6	2.6	2.9	2.3
Household consumption expenditure	2.8	2.7	3.0	3.5	2.3
Governments consumption expenditure	1.2	2.2	1.7	1.2	2.2
Gross fixed capital formation [of which:]	1.5	5.3	2.1	4.3	1.3
Residential structures	0.7	7.2	7.8	8.3	-2.0
Non-residential structures	7.7	9.7	-4.2	-3.8	2.2
Machinery and equipment	4.3	6.8	-4.0	3.2	3.7
Intellectual property products	-5.4	-2.7	2.3	0.2	2.2
Governments gross fixed capital formation	-0.1	0.6	1.0	3.9	4.7
Investment in inventories (2007 \$B)	4,101	3,510	-209	5,862	4,700
Exports	4.4	2.8	3.0	1.1	3.3
Imports	4.0	3.7	1.6	4.0	2.8
Final domestic demand	2.2	3.1	2.5	3.2	2.1
<b>Other indicators</b>					
Nominal GDP	4.7	4.9	4.6	5.0	3.9
Employment	0.8	0.7	1.1	1.4	1.2
Unemployment rate (%)	7.3	6.8	6.5	6.3	6.2
Retail sales	5.8	5.5	7.1	6.7	3.7
Housing starts <sup>1</sup> (thousands of units)	59.1	70.2	75.0	76.3	64.6
Total inflation rate*	2.4	1.2	1.8	1.6	1.8

 f: forecasts; \* Annual change; <sup>1</sup> 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
<b>Real GDP growth – Canada</b>	<b>2.6</b>	<b>0.9</b>	<b>1.5</b>	<b>2.9</b>	<b>2.1</b>
Atlantic	0.1	0.5	1.4	1.9	1.4
Quebec	1.3	1.2	1.7	2.5	1.8
Ontario	2.7	2.5	2.7	2.9	2.2
Manitoba	1.5	2.2	2.4	2.3	2.0
Saskatchewan	2.4	-1.3	-1.0	2.5	2.0
Alberta	5.0	-3.6	-3.8	3.1	2.5
British Columbia	3.3	3.3	3.7	3.3	2.4
<b>Total inflation rate – Canada</b>	<b>2.0</b>	<b>1.1</b>	<b>1.4</b>	<b>1.5</b>	<b>1.8</b>
Atlantic	1.7	0.4	1.9	1.7	1.8
Quebec	1.4	1.1	0.7	0.9	1.5
Ontario	2.4	1.2	1.8	1.6	1.8
Manitoba	1.9	1.2	1.3	1.3	1.8
Saskatchewan	2.4	1.6	1.1	1.2	1.8
Alberta	2.6	1.1	1.1	1.4	2.0
British Columbia	1.0	1.1	1.8	1.8	2.0
<b>Employment growth – Canada</b>	<b>0.6</b>	<b>0.8</b>	<b>0.7</b>	<b>1.8</b>	<b>1.2</b>
Atlantic	-0.9	-0.4	-0.7	0.3	0.8
Quebec	0.0	0.9	0.9	2.0	0.8
Ontario	0.8	0.7	1.1	1.4	1.2
Manitoba	0.1	1.5	-0.4	2.0	0.8
Saskatchewan	1.0	0.5	-0.9	0.3	1.0
Alberta	2.2	1.2	-1.6	1.0	1.6
British Columbia	0.6	1.2	3.2	4.1	1.8
<b>Unemployment rate – Canada</b>	<b>6.9</b>	<b>6.9</b>	<b>7.0</b>	<b>6.5</b>	<b>6.3</b>
Atlantic	10.0	10.0	9.9	9.5	9.3
Quebec	7.7	7.6	7.1	6.0	5.7
Ontario	7.3	6.8	6.5	6.3	6.2
Manitoba	5.4	5.6	6.1	5.3	5.2
Saskatchewan	3.8	5.0	6.3	6.5	6.0
Alberta	4.7	6.0	8.1	8.0	7.4
British Columbia	6.1	6.2	6.0	5.4	5.3
<b>Retail sales growth – Canada</b>	<b>5.1</b>	<b>2.6</b>	<b>5.1</b>	<b>6.6</b>	<b>4.0</b>
Atlantic	3.3	1.0	2.8	5.1	3.4
Quebec	2.4	1.8	6.2	5.5	4.0
Ontario	5.8	5.5	7.1	6.7	3.7
Manitoba	4.4	1.6	4.2	2.4	3.0
Saskatchewan	5.0	-2.9	2.2	4.0	4.0
Alberta	7.9	-4.0	-1.2	9.0	5.0
British Columbia	6.3	6.9	7.4	8.0	4.0
<b>Housing starts – Canada (thousands of units)</b>	<b>189.3</b>	<b>195.5</b>	<b>197.9</b>	<b>210.1</b>	<b>188.1</b>
Atlantic	8.0	8.1	7.6	8.2	7.7
Quebec	38.8	37.9	38.9	44.0	42.0
Ontario	59.1	70.2	75.0	76.3	64.6
Manitoba	6.2	5.5	5.3	6.7	6.2
Saskatchewan	8.3	5.1	4.8	4.9	4.8
Alberta	40.6	37.3	24.5	30.0	29.3
British Columbia	28.4	31.4	41.8	40.0	33.5

f: forecasts

Sources: Statistics Canada, Institut de la statistique du Québec, Ontario's Ministry of Finance, 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	2012–2016	2017–2021f
<b>United States</b>									
Real GDP (var. in %)	2.9	1.5	2.1	2.3	2.2	1.8	1.0	2.2	1.9
Total inflation rate (var. in %)	0.1	1.3	2.1	2.1	2.2	1.4	0.9	1.3	1.7
Unemployment rate	5.3	4.9	4.4	4.3	4.5	4.8	5.6	6.3	4.7
S&P 500 index (var. in %) <sup>1</sup>	-0.7	9.5	11.7	6.0	5.0	0.0	4.0	12.6	5.3
Federal funds rate	0.26	0.51	1.10	1.90	2.45	2.45	1.55	0.30	1.89
Prime rate	3.26	3.51	4.10	4.90	5.45	5.45	4.55	3.30	4.89
Treasury bills – 3-month	0.05	0.32	0.95	1.65	2.25	2.15	1.35	0.11	1.67
Federal bonds – 10-year	2.13	1.84	2.40	3.10	3.50	3.35	2.45	2.12	2.96
– 30-year	2.84	2.60	3.00	3.45	3.70	3.55	2.70	3.03	3.28
WTI oil (US\$/barrel)	49	43	50	54	57	53	50	75	53
Gold (US\$/ounce)	1,160	1,249	1,220	1,100	1,050	1,150	1,200	1,351	1,144
<b>Canada</b>									
Real GDP (var. in %)	0.9	1.5	2.9	2.1	1.8	1.5	0.9	1.8	1.8
Total inflation rate (var. in %)	1.1	1.4	1.5	1.8	2.1	1.1	0.9	1.4	1.5
Employment (var. in %)	0.8	0.7	1.8	1.2	1.0	0.7	0.1	1.0	1.0
Employment (thousands)	144	133	318	228	193	137	14	172	178
Unemployment rate	6.9	7.0	6.5	6.3	6.3	6.2	7.0	7.0	6.5
Housing starts (thousands of units)	196	198	210	188	180	170	170	197	184
S&P/TSX index (var. in %) <sup>1</sup>	-11.1	17.5	4.0	6.9	7.5	0.0	5.0	5.5	4.7
Exchange rate (US\$/C\$)	0.78	0.75	0.78	0.79	0.83	0.82	0.75	0.88	0.79
Overnight funds	0.65	0.50	0.70	1.25	1.75	2.00	1.45	0.83	1.43
Prime rate	2.79	2.70	2.90	3.45	3.95	4.20	3.65	2.90	3.63
Mortgage rate – 1-year	2.97	3.14	3.25	3.60	4.15	4.20	3.80	3.10	3.80
– 5-year	4.67	4.66	4.75	5.30	5.85	5.90	5.25	4.95	5.41
Treasury bills – 3-month	0.53	0.49	0.75	1.40	1.90	2.00	1.40	0.77	1.49
Federal bonds – 2-year	0.55	0.56	1.15	1.90	2.40	2.35	1.55	0.88	1.87
– 5-year	0.86	0.73	1.45	2.15	2.75	2.70	1.85	1.23	2.18
– 10-year	1.53	1.26	1.85	2.50	3.00	2.95	2.20	1.83	2.50
– 30-year	2.20	1.93	2.40	2.80	3.20	3.15	2.40	2.44	2.79
<u>Yield spreads (Canada—United States)</u>									
Treasury bills – 3-month	0.48	0.17	-0.20	-0.25	-0.35	-0.15	0.05	0.66	-0.18
Federal bonds – 10-year	-0.60	-0.58	-0.55	-0.60	-0.50	-0.40	-0.25	-0.29	-0.46
– 30-year	-0.64	-0.67	-0.60	-0.65	-0.50	-0.40	-0.30	-0.59	-0.49
<b>Quebec</b>									
Real GDP (var. in %)	1.2	1.7	2.5	1.8	1.5	1.1	0.6	1.4	1.5
Total inflation rate (var. in %)	1.1	0.7	0.9	1.5	1.9	1.0	0.9	1.2	1.2
Employment (var. in %)	0.9	0.9	2.0	0.8	0.5	0.2	0.0	0.8	0.7
Employment (thousands)	37	36	80	35	20	10	0	32	29
Unemployment rate	7.6	7.1	6.0	5.7	5.5	5.3	5.8	7.5	5.7
Retail sales (var. in %)	1.8	6.2	5.5	4.0	3.0	2.0	1.0	2.9	3.1
Housing starts (thousands of units)	38	39	44	42	35	35	30	40	37
<b>Ontario</b>									
Real GDP (var. in %)	2.5	2.7	2.9	2.2	2.0	1.5	1.1	1.6	1.9
Total inflation rate (var. in %)	1.2	1.8	1.6	1.8	2.2	1.8	1.3	1.7	1.7
Employment (var. in %)	0.7	1.1	1.4	1.2	0.7	0.7	0.2	0.7	0.9
Employment (thousands)	45	76	101	88	50	51	15	49	61
Unemployment rate	6.8	6.5	6.3	6.2	6.2	6.2	6.5	7.7	6.3
Retail sales (var. in %)	5.5	7.1	6.7	3.7	3.2	2.9	2.0	3.7	3.7
Housing starts (thousands of units)	70	75	76	65	65	62	60	65	66

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

Sources: Datastream, Statistics Canada, Institut de la statistique du Québec, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies