

ECONOMIC & FINANCIAL OUTLOOK



All Eyes Are on the Financial Markets since the USMCA

HIGHLIGHTS

- ▶ The global economy continued to make strides, but concerns about protectionism and rising interest rates remain, especially for emerging economies. The indicators in the euro zone suggest that growth will be modest, and discussions with the United Kingdom about Brexit are difficult.
- ▶ In the United States, growth appears to have remained strong in the third quarter. After an annualized 4.2% gain last spring, growth should reach about 3.5%. The jobless rate reached 3.7% in September, its lowest level since 1969.
- ▶ The new trade agreement reached between the United States, Mexico and Canada (USMCA) is good news for the economy overall, even if the tariffs on steel and aluminum remain in place for now. Diminished concerns in Canada should prompt a faster rise in business investment. The legalization of cannabis will also bring some changes to the economy.
- ▶ Cannabis should nevertheless represent a small share of Canadians' total spending, so the impact on economic growth will be marginal. Annualized real GDP growth in Canada should remain at around 2% in the next few quarters.
- ▶ The economic environment in most provinces stayed the same. In Ontario, real GDP was up 3.4% in the second quarter of 2018. A sharp rebound in exports contributed heavily to this growth. If prices for Canadian oil continue to slide, real GDP growth in Alberta might be downgraded.
- ▶ In Quebec, annualized real GDP growth reached 2.5% in the second quarter of 2018, a pace similar to the previous quarter. Household and business confidence remains high, driving consumption and investments. Despite the pullback in employment since the beginning of the year, a jobless rate of 5.3% in September is still very low.

MAIN CHANGES

- ▶ Rising protectionism and problems in emerging economies have trimmed the global economic growth forecasts for 2019 from 3.8% to 3.7%.
- ▶ In the United States, the expected strength of the economy in the second half of 2018 is pushing forecasts higher. As such, expected growth in 2018 has edged up from 2.8% to 2.9%, while the forecast for 2019 rose from 2.6% to 2.7%.
- ▶ In Canada and in most provinces, real GDP growth forecast in 2019 was up slightly, due to the positive impacts of the USMCA.
- ▶ In Quebec, the real GDP forecast for 2018 was upgraded from 2.3% to 2.6%. The forecast for 2019 ticked up from 1.9% to 2.0%.

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RISKS INHERENT IN OUR SCENARIOS

The recent rise in protectionism is deepening uncertainty all around the world. A faster increase in import prices could raise inflationary pressures while undermining economic and employment growth in places around the globe. In Canada, the trade agreement reached between the United States, Mexico and Canada (USMCA) reduces the risks significantly, however. That said, a shake-up in global supply chains could further curb business investment and reduce productivity. Geopolitical risks continue to weigh on the global economy. Financial imbalances are still a consideration in a number of regions, especially in Europe and in emerging economies like China. Tough Brexit negotiations between the United Kingdom and the European Union could also disrupt the global economy. In the United States, the policies of the Trump administration could see the situation deviate from our scenarios—positively or negatively. Political uncertainty fed by doubts about the administration’s integrity could also affect the markets. The financial struggles of emerging countries could worsen and begin to have a very negative impact on North American markets. Inflation that is stronger or weaker than forecast would have major consequences, especially on the bond market. The outbreak of a major conflict in the Middle East or a deeper plunge than expected in Iranian production after renewed U.S. sanctions could drive up international oil prices higher. In Canada, the rise in interest rates is intensifying concerns over high household debt. Signs of overvaluation in the Toronto and Vancouver real estate markets are high, and Montreal is on the verge of becoming overheated, making the market more vulnerable to a potential correction. If this persists, the sharp drop in Canadian oil prices could have a negative impact on certain provinces.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2017	2018f	2019f	2017	2018f	2019f
Advanced economies	39.0	2.3	2.3	2.2	1.7	2.0	1.9
United States	15.5	2.2	2.9	2.7	2.1	2.5	2.3
Canada	1.3	3.0	2.1	2.1	1.6	2.3	1.8
<i>Quebec</i>	<i>0.3</i>	<i>3.0</i>	<i>2.6</i>	<i>2.0</i>	<i>1.0</i>	<i>1.7</i>	<i>1.8</i>
<i>Ontario</i>	<i>0.5</i>	<i>2.7</i>	<i>2.2</i>	<i>2.0</i>	<i>1.7</i>	<i>2.3</i>	<i>1.9</i>
Japan	4.4	1.7	1.1	1.1	0.5	0.9	1.1
United Kingdom	2.3	1.7	1.3	1.3	2.7	2.4	2.1
Euro zone	11.9	2.5	2.1	2.0	1.5	1.7	1.6
<i>Germany</i>	<i>3.4</i>	<i>2.5</i>	<i>1.9</i>	<i>1.9</i>	<i>1.7</i>	<i>1.8</i>	<i>1.8</i>
<i>France</i>	<i>2.3</i>	<i>2.3</i>	<i>1.6</i>	<i>1.7</i>	<i>1.0</i>	<i>1.9</i>	<i>1.6</i>
<i>Italy</i>	<i>1.9</i>	<i>1.6</i>	<i>1.2</i>	<i>1.1</i>	<i>1.2</i>	<i>1.3</i>	<i>1.4</i>
Other countries	4.0	1.4	1.7	1.4	1.0	1.1	1.1
Australia	0.9	2.2	3.2	2.7	1.9	2.0	2.2
Emerging and developing economies	61.0	4.6	4.7	4.6	6.8	5.0	4.8
North Asia	26.3	6.8	6.7	6.5	2.2	2.9	3.1
<i>China</i>	<i>17.8</i>	<i>6.9</i>	<i>6.6</i>	<i>6.3</i>	<i>1.6</i>	<i>2.1</i>	<i>2.3</i>
<i>India</i>	<i>7.2</i>	<i>6.7</i>	<i>7.4</i>	<i>7.4</i>	<i>3.3</i>	<i>4.8</i>	<i>4.8</i>
South Asia	5.3	5.1	5.0	4.8	2.8	2.6	2.9
Latin America	6.4	1.0	1.5	2.2	3.9	4.0	3.8
<i>Mexico</i>	<i>1.9</i>	<i>2.0</i>	<i>2.2</i>	<i>2.1</i>	<i>6.0</i>	<i>4.5</i>	<i>3.8</i>
<i>Brazil</i>	<i>2.6</i>	<i>1.0</i>	<i>1.4</i>	<i>2.5</i>	<i>3.0</i>	<i>4.2</i>	<i>4.2</i>
Eastern Europe	7.2	4.0	3.0	2.0	5.4	6.1	6.3
<i>Russia</i>	<i>2.8</i>	<i>1.5</i>	<i>1.8</i>	<i>1.6</i>	<i>3.7</i>	<i>3.7</i>	<i>4.3</i>
Other countries	15.8	2.5	3.3	3.5	19.6	11.7	8.8
<i>South Africa</i>	<i>0.6</i>	<i>1.2</i>	<i>1.2</i>	<i>2.0</i>	<i>5.2</i>	<i>4.7</i>	<i>5.2</i>
World	100.0	3.7	3.8	3.7	4.3	3.6	3.4

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2016.
 Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

FINANCIAL FORECASTS

The last few weeks have been hectic. The stock markets and bond markets ended the third quarter on an uptrend, while optimism seemed to be gaining momentum. The eleventh-hour signing of a trade agreement between the United States, Mexico and Canada (USMCA), upbeat economic data and positive comments from the Federal Reserve (Fed) leaders accelerated the rise in bond yields in early October. However, this upsurge in yields quickly gave way to negative sentiment that drove down the stock markets and put the loonie at a disadvantage. A number of concerns remain at the international level, especially in emerging countries and in Italy. Yet the economic environment in North America is still favourable, and both the Fed and the Bank of Canada (BoC) announced a new key rate hike at their last monetary policy meeting, as expected. All signs point to the Fed maintaining its pace of a 0.25% key rate hike each quarter for some time to come. The USMCA has reduced a significant risk clouding Canada's economic outlook and the BoC clearly signals its intention to carry on with its monetary policy tightening. A clearer rise in bond yields will, however, increase the pressure on Canada's indebted households, which should eventually convince the BoC to limit its rate hikes. The Canadian dollar is therefore expected to remain relatively weak, despite the expected return of a more positive sentiment on the markets.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2017		2018				2019			
	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	1.25	1.50	1.75	2.00	2.25	2.50	2.75	3.00	3.25	3.25
Canada	1.00	1.00	1.25	1.25	1.50	1.75	2.00	2.00	2.25	2.25
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.25
United Kingdom	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00
Federal bonds										
<u>United States</u>										
2-year	1.49	1.88	2.27	2.53	2.82	3.00	3.15	3.25	3.30	3.40
5-year	1.92	2.19	2.55	2.73	2.95	3.15	3.30	3.40	3.50	3.55
10-year	2.33	2.41	2.75	2.86	3.06	3.30	3.45	3.55	3.60	3.65
30-year	2.86	2.74	2.97	2.99	3.21	3.40	3.55	3.65	3.70	3.75
<u>Canada</u>										
2-year	1.52	1.68	1.77	1.91	2.21	2.40	2.50	2.50	2.55	2.65
5-year	1.75	1.86	1.96	2.06	2.33	2.55	2.65	2.70	2.80	2.85
10-year	2.10	2.04	2.09	2.17	2.42	2.65	2.75	2.85	2.90	2.95
30-year	2.47	2.26	2.23	2.20	2.41	2.70	2.80	2.90	2.95	3.05
Currency market										
Canadian dollar (USD/CAD)	1.25	1.26	1.29	1.31	1.29	1.29	1.30	1.31	1.30	1.28
Canadian dollar (CAD/USD)	0.80	0.79	0.78	0.76	0.77	0.78	0.77	0.77	0.77	0.78
Euro (EUR/USD)	1.18	1.20	1.23	1.17	1.16	1.16	1.17	1.18	1.20	1.22
British pound (GBP/USD)	1.34	1.35	1.40	1.32	1.30	1.30	1.27	1.28	1.31	1.34
Yen (USD/JPY)	112	113	106	111	114	113	114	115	115	114
Stock markets (level and growth)*										
United States – S&P 500	2,674		Target: 2,925 (+9.4%)				Target: 3,075 (+5.1%)			
Canada – S&P/TSX	16,209		Target: 16,800 (+3.6%)				Target: 18,100 (+7.7%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	51 (60*)		68 (70*)				72 (74*)			
Gold (US\$/ounce)	1,258 (1,303*)		1,265 (1,220*)				1,210 (1,215*)			

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)	2018				2019		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2016	2017	2018f	2019f
Real GDP (2009 US\$)	2.2	4.2	3.5	2.6	1.9	3.2	1.6	2.2	2.9	2.7
Personal consumption expenditures	0.5	3.8	3.7	2.9	2.0	3.5	2.7	2.5	2.7	2.8
Residential construction	-3.4	-1.3	-4.0	3.0	5.0	6.3	6.5	3.3	0.1	2.8
Business fixed investment	11.5	8.7	4.9	5.1	3.9	3.9	0.5	5.3	7.2	4.5
Inventory change (US\$B)	30.3	-36.8	60.0	55.0	45.0	45.0	23.4	22.5	27.1	45.0
Public expenditures	1.5	2.5	1.0	1.7	1.5	1.8	1.4	-0.1	1.4	1.6
Exports	3.6	9.3	-4.0	2.0	1.5	1.5	-0.1	3.0	4.1	1.4
Imports	3.0	-0.6	6.5	3.5	2.5	2.5	1.9	4.6	4.3	2.9
Final domestic demand	1.9	4.0	3.1	3.0	2.3	3.3	2.3	2.5	2.9	2.8
Other indicators										
Nominal GDP	4.3	7.6	5.2	4.8	4.2	5.2	2.7	4.2	5.3	4.9
Employment according to establishments	1.7	1.7	1.7	1.5	1.4	1.4	1.8	1.6	1.6	1.4
Unemployment rate (%)	4.1	3.9	3.8	3.7	3.6	3.5	4.9	4.4	3.9	3.5
Housing starts ¹ (thousands of units)	1,317	1,261	1,218	1,298	1,325	1,347	1,178	1,208	1,274	1,341
Total inflation rate*	2.3	2.6	2.6	2.5	2.3	2.2	1.3	2.1	2.5	2.3
Core inflation rate* ³	1.9	2.2	2.2	2.2	2.2	2.3	2.2	1.8	2.1	2.4

f: forecasts; * Annual change; ¹ Annualized basis; ² Before taxes; ³ Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2018				2019		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2016	2017	2018f	2019f
Real GDP (2007 \$)	1.4	2.9	2.0	2.1	2.3	2.0	1.4	3.0	2.1	2.1
Final consumption expenditure [of which:]	1.5	2.4	2.1	2.0	2.0	1.9	2.3	3.1	2.3	2.0
Household consumption expenditure	1.0	2.6	2.1	2.0	1.8	1.8	2.4	3.5	2.2	1.9
Governments consumption expenditure	2.6	1.6	2.2	2.0	2.5	2.0	2.2	2.3	2.5	2.2
Gross fixed capital formation [of which:]	2.5	0.9	3.0	2.6	2.6	2.6	-3.0	2.8	3.9	2.6
Residential structures	-10.5	1.1	2.9	1.2	1.5	1.0	3.3	2.9	0.1	1.3
Non-residential structures	8.2	2.2	2.5	3.5	3.0	3.5	-11.5	0.7	5.2	3.3
Machinery and equipment	16.4	1.4	3.0	3.5	4.0	4.0	-6.0	6.0	8.2	3.7
Intellectual property products	14.4	1.0	3.0	3.0	3.0	3.0	-6.4	1.2	6.3	3.0
Governments gross fixed capital formation	4.0	-2.0	4.0	3.0	3.0	3.0	5.1	3.8	4.2	2.7
Investment in inventories (2007 \$B)	15.8	14.1	13.0	14.0	16.0	16.5	1.0	13.9	14.2	16.3
Exports	2.4	12.3	1.5	2.0	2.0	2.2	1.0	1.1	2.9	2.7
Imports	4.2	6.5	2.0	2.7	2.7	2.7	-1.0	3.6	4.5	2.9
Final domestic demand	1.7	2.1	2.3	2.2	2.2	2.1	1.1	3.0	2.7	2.1
Other indicators										
Nominal GDP	3.1	5.1	3.8	4.6	4.3	3.8	2.0	5.4	4.2	4.0
Employment	0.1	0.7	1.3	1.5	1.1	1.2	0.7	1.9	1.3	1.2
Unemployment rate (%)	5.8	5.9	5.9	5.8	5.7	5.7	7.0	6.3	5.8	5.7
Housing starts ¹ (thousands of units)	225	219	196	198	199	198	198	220	209	197
Total inflation rate*	2.1	2.3	2.7	2.0	1.6	1.9	1.4	1.6	2.3	1.8
Core inflation rate* ³	1.8	1.8	2.1	1.7	1.3	1.6	1.9	1.6	1.8	1.5

f: forecasts; * Annual change; ¹ Annualized basis; ² Before taxes; ³ Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2015	2016	2017	2018f	2019f
Real GDP (2007 \$)	1.0	1.4	3.0	2.6	2.0
Final consumption expenditure [of which:]	0.7	2.4	2.9	2.6	2.0
Household consumption expenditure	1.4	2.7	3.2	2.4	1.9
Governments consumption expenditure	-1.4	2.0	0.5	5.3	2.2
Gross fixed capital formation [of which:]	-2.3	1.6	5.4	5.2	1.0
Residential structures	-0.1	3.0	7.2	6.1	-1.7
Non-residential structures	-4.2	4.4	2.6	2.1	2.7
Machinery and equipment	-3.3	0.0	9.2	9.0	4.3
Intellectual property products	-3.7	-2.8	2.4	7.9	3.8
Governments gross fixed capital formation	-2.4	0.1	3.6	3.4	2.5
Investment in inventories (2007 \$B)	1,930	1,807	2,266	4,226	4,000
Exports	2.4	1.7	1.8	3.2	3.6
Imports	0.8	3.1	4.0	4.2	2.9
Final domestic demand	0.1	2.3	3.4	3.1	1.8
Other indicators					
Nominal GDP	2.4	2.7	5.1	4.5	4.2
Real disposable personal income	2.6	2.8	4.6	2.5	1.8
Weekly earnings	2.1	1.2	2.8	4.0	4.3
Employment	0.9	0.9	2.2	0.9	0.5
Unemployment rate (%)	7.6	7.1	6.1	5.5	5.1
Personal saving rate (%)	5.2	4.9	6.3	6.9	7.3
Retail sales	1.9	6.6	5.5	4.0	3.3
Housing starts ¹ (thousands of units)	37.9	38.9	46.5	47.0	43.0
Total inflation rate	1.1	0.7	1.0	1.7	1.8

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)	2015	2016	2017	2018f	2019f
Real GDP (2007 \$)	2.9	2.6	2.7	2.2	2.0
Final consumption expenditure [of which:]	2.7	2.6	3.1	2.4	2.1
Household consumption expenditure	2.8	3.0	3.6	2.4	2.1
Governments consumption expenditure	2.4	1.8	2.2	2.3	2.1
Gross fixed capital formation [of which:]	4.7	0.1	2.6	3.6	2.4
Residential structures	7.7	7.5	1.5	-2.1	0.7
Non-residential structures	7.7	-10.1	2.4	9.0	3.9
Machinery and equipment	7.3	-7.8	7.0	7.5	3.7
Intellectual property products	-2.3	-3.4	-0.4	6.4	2.7
Governments gross fixed capital formation	-2.3	4.0	6.8	7.4	2.5
Investment in inventories (2007 \$B)	3,479	-1,328	5,628	5,536	3,396
Exports	3.3	2.5	-1.2	1.4	3.0
Imports	3.2	0.0	1.2	2.2	2.7
Final domestic demand	3.1	2.1	3.0	2.6	2.2
Other indicators					
Nominal GDP	5.0	4.3	4.5	3.8	4.0
Real disposable personal income	3.9	2.9	3.1	2.4	2.4
Weekly earnings	2.6	1.1	1.9	2.4	2.5
Employment	0.7	1.1	1.8	1.6	1.5
Unemployment rate (%)	6.8	6.5	6.0	5.7	5.6
Personal saving rate (%)	2.7	2.4	2.2	2.0	2.3
Retail sales	5.3	6.9	7.7	3.6	3.5
Housing starts ¹ (thousands of units)	70.2	75.0	79.1	75.4	68.5
Total inflation rate*	1.2	1.8	1.7	2.3	1.9

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)	2015	2016	2017	2018f	2019f
Real GDP growth – Canada	1.0	1.4	3.0	2.1	2.1
Atlantic	0.8	1.3	1.6	1.1	1.4
Quebec	1.0	1.4	3.0	2.6	2.0
Ontario	2.9	2.6	2.7	2.2	2.0
Manitoba	1.3	2.2	2.7	2.0	1.8
Saskatchewan	-1.0	-0.5	2.6	2.2	2.0
Alberta	-3.7	-3.7	4.6	2.2	2.3
British Columbia	3.5	3.5	3.7	2.1	2.2
Total inflation rate – Canada	1.1	1.4	1.6	2.3	1.8
Atlantic	0.4	1.9	1.9	2.1	1.7
Quebec	1.1	0.7	1.0	1.7	1.8
Ontario	1.2	1.8	1.7	2.3	1.9
Manitoba	1.2	1.3	1.6	2.3	1.9
Saskatchewan	1.6	1.1	1.7	2.1	1.7
Alberta	1.1	1.1	1.6	2.4	1.9
British Columbia	1.1	1.8	2.1	2.5	2.0
Employment growth – Canada	0.8	0.7	1.9	1.3	1.2
Atlantic	-0.4	-0.7	-0.2	1.1	0.7
Quebec	0.9	0.9	2.2	0.9	0.5
Ontario	0.7	1.1	1.8	1.6	1.5
Manitoba	1.5	-0.4	1.7	0.5	1.0
Saskatchewan	0.5	-0.9	-0.2	0.2	1.2
Alberta	1.2	-1.6	1.0	2.0	1.8
British Columbia	1.2	3.2	3.7	1.0	1.0
Unemployment rate – Canada	6.9	7.0	6.3	5.8	5.7
Atlantic	10.0	9.9	9.7	9.2	9.1
Quebec	7.6	7.1	6.1	5.5	5.1
Ontario	6.8	6.5	6.0	5.7	5.6
Manitoba	5.6	6.1	5.4	5.9	5.8
Saskatchewan	5.0	6.3	6.3	6.2	6.2
Alberta	6.0	8.1	7.8	6.5	6.3
British Columbia	6.2	6.0	5.1	4.6	4.8
Retail sales growth – Canada	2.6	5.2	7.1	3.2	3.6
Atlantic	1.1	3.0	6.2	1.6	2.5
Quebec	1.9	6.6	5.5	4.0	3.3
Ontario	5.3	6.9	7.7	3.6	3.5
Manitoba	1.3	3.7	7.8	1.2	3.0
Saskatchewan	-3.3	1.5	4.1	1.0	3.5
Alberta	-4.0	-1.1	7.1	3.0	4.2
British Columbia	7.0	7.7	9.3	2.5	4.0
Housing starts – Canada (thousands of units)	195.5	197.9	219.8	209.5	197.3
Atlantic	8.1	7.6	8.6	10.4	9.5
Quebec	37.9	38.9	46.5	47.0	43.0
Ontario	70.2	75.0	79.1	75.4	68.5
Manitoba	5.5	5.3	7.5	8.0	7.8
Saskatchewan	5.1	4.8	4.9	3.7	4.0
Alberta	37.3	24.5	29.5	27.5	30.5
British Columbia	31.4	41.8	43.7	37.5	34.0

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	
	2016	2017	2018f	2019f	2020f	2021f	2022f	2013–2017	2018–2022f
United States									
Real GDP (var. in %)	1.6	2.2	2.9	2.7	2.0	0.6	1.9	2.2	2.0
Total inflation rate (var. in %)	1.3	2.1	2.5	2.3	1.3	0.4	1.9	1.3	1.7
Unemployment rate	4.9	4.4	3.9	3.5	3.8	4.8	5.1	5.6	4.2
S&P 500 index (var. in %) ¹	9.5	19.4	9.4	5.1	-5.0	0.0	10.0	13.8	3.9
Federal funds rate	0.51	1.10	1.90	2.90	3.45	2.15	1.75	0.47	2.43
Prime rate	3.51	4.10	4.90	5.90	6.45	5.15	4.75	3.47	5.43
Treasury bills – 3-month	0.32	0.95	1.95	2.90	3.20	1.85	1.55	0.28	2.29
Federal bonds – 10-year	1.84	2.33	2.95	3.55	3.50	2.70	2.70	2.23	3.08
– 30-year	2.60	2.89	3.15	3.65	3.65	2.85	2.85	3.02	3.23
WTI oil (US\$/barrel)	43	51	68	72	63	42	50	67	59
Gold (US\$/ounce)	1,249	1,258	1,265	1,210	1,200	1,250	1,275	1,269	1,240
Canada									
Real GDP (var. in %)	1.4	3.0	2.1	2.1	1.7	0.5	1.7	2.2	1.6
Total inflation rate (var. in %)	1.4	1.6	2.3	1.8	1.7	0.5	1.5	1.4	1.6
Employment (var. in %)	0.7	1.9	1.3	1.2	1.0	0.3	0.8	1.1	0.9
Employment (thousands)	133	337	232	225	194	53	147	196	170
Unemployment rate	7.0	6.3	5.8	5.7	5.6	6.5	6.4	6.8	6.0
Housing starts (thousands of units)	198	220	209	197	200	180	195	198	196
S&P/TSX index (var. in %) ¹	17.5	6.0	3.6	7.7	-5.0	0.0	12.0	5.9	3.7
Exchange rate (US\$/C\$)	0.75	0.77	0.77	0.77	0.79	0.76	0.79	0.84	0.78
Overnight funds	0.50	0.70	1.40	2.10	2.45	1.45	1.25	0.77	1.73
Prime rate	2.70	2.90	3.60	4.30	4.65	3.65	3.45	2.88	3.93
Mortgage rate – 1-year	3.14	3.16	3.50	4.20	4.40	3.50	3.35	3.10	3.79
– 5-year	4.66	4.76	5.30	5.80	5.85	5.20	5.15	4.84	5.46
Treasury bills – 3-month	0.49	0.69	1.40	2.20	2.40	1.40	1.25	0.72	1.73
Federal bonds – 2-year	0.56	1.09	2.00	2.55	2.65	1.60	1.55	0.87	2.07
– 5-year	0.73	1.37	2.20	2.75	2.70	1.85	1.95	1.23	2.29
– 10-year	1.25	1.78	2.35	2.85	2.85	2.25	2.30	1.81	2.52
– 30-year	1.93	2.28	2.45	2.90	3.00	2.40	2.45	2.40	2.64
<u>Yield spreads (Canada—United States)</u>									
Treasury bills – 3-month	0.17	-0.26	-0.55	-0.70	-0.80	-0.45	-0.30	0.44	-0.56
Federal bonds – 10-year	-0.59	-0.55	-0.60	-0.70	-0.65	-0.45	-0.40	-0.43	-0.56
– 30-year	-0.67	-0.61	-0.70	-0.75	-0.65	-0.45	-0.40	-0.62	-0.59
Quebec									
Real GDP (var. in %)	1.4	3.0	2.6	2.0	1.5	0.3	1.2	1.7	1.5
Total inflation rate (var. in %)	0.7	1.0	1.7	1.8	1.5	0.3	1.3	1.0	1.3
Employment (var. in %)	0.9	2.2	0.9	0.5	0.3	-0.5	0.2	1.1	0.3
Employment (thousands)	36	90	35	20	15	-20	10	43	12
Unemployment rate	7.1	6.1	5.5	5.1	4.5	5.0	4.9	7.2	5.0
Retail sales (var. in %)	6.6	5.5	4.0	3.3	3.0	1.0	2.5	3.9	2.8
Housing starts (thousands of units)	39	46	47	43	38	30	35	40	38
Ontario									
Real GDP (var. in %)	2.6	2.7	2.2	2.0	1.5	0.3	1.5	2.5	1.5
Total inflation rate (var. in %)	1.8	1.7	2.3	1.9	1.8	0.5	1.5	1.6	1.6
Employment (var. in %)	1.1	1.8	1.6	1.5	0.7	0.2	0.8	1.2	0.9
Employment (thousands)	76	128	112	107	51	15	59	85	69
Unemployment rate	6.5	6.0	5.7	5.6	5.4	6.3	6.2	6.8	5.8
Retail sales (var. in %)	6.9	7.7	3.6	3.5	5.0	2.0	4.5	5.7	3.7
Housing starts (thousands of units)	75	79	75	69	75	68	74	69	72

f: forecasts; WTI : West Texas Intermediate; ¹ 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