

ECONOMIC & FINANCIAL OUTLOOK

Second COVID-19 Wave Will Put the Brakes on Economic Growth at the End of 2020

HIGHLIGHTS

- ▶ The global economy is grappling with a second wave of COVID-19. A number of countries recently introduced targeted public health measures which will impact economic activity in the fourth quarter. In the United Kingdom, the Brexit issue is still not resolved. In China, real GDP growth of 2.7% (or 11.2% at an annualized rate) in the third quarter compared to the second quarter means that the economy is increasingly pushing past its pre-COVID-19 level.
- ▶ In the United States, the economy continues to grow; for now, the number of new COVID-19 cases is below the level seen at the start of the summer. Retail sales jumped in September, climbing 3.7% above their pre-pandemic level. Real GDP growth is expected to be 6.8% (or 30.2% at annualized rate) in the third quarter compared to the second quarter.
- ▶ In Canada, the latest results indicate that real GDP rebounded sharply in the third quarter. The outlook for the fourth quarter, however, is much more modest. For one thing, economic growth has moved from the re-opening phase to a recovery phase, which is characterized by weaker output growth. For another, new restrictions were introduced in some parts of the country in early October, to curb the spread of the second wave of COVID-19. However, in contrast with the situation last spring, the new measures' negative repercussions will be less widespread.
- ▶ Quebec's economic recovery is well underway. Some indicators are even above February's pre-pandemic levels. The level of employment is 97.4% of that observed in February. The unemployment rate slid back to 7.4% in September, quite a distance from last spring's 17.0% peak. The unemployment rate is forecast to tick up in October, given the closures that are targeting certain regions. The measures taken to curb the second wave will be less devastating to the economy than last spring's. Real GDP should post a soft gain in the fourth quarter, following the strong rebound anticipated for the third quarter.
- ▶ As for the other provinces, Ontario's real GDP decline was ultimately slightly bigger than the national average in the second quarter. As with the country, Ontario's real GDP is also expected to rebound substantially in the third quarter. That said, what comes next promises to be more difficult, as certain restrictive measures have also been reintroduced in some parts of the province. For now, new restrictions are quite limited in the other provinces.

MAIN CHANGES

- ▶ The forecast for real GDP growth has been trimmed for the fourth quarter for Canada, Quebec and Ontario to reflect the adverse impacts of the new restrictions associated with the second wave of the pandemic.
- ▶ The good performance by U.S. retail sales is prompting an upside change to the third quarter's real GDP growth and a smaller decline for 2020 as a whole.

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RISKS INHERENT TO OUR SCENARIOS

The evolving COVID-19 pandemic remains the main uncertainty surrounding the economic and financial outlooks. The risk is still focused on a worsening second wave, which would require public health measures to be reinstated that are harder on the economy. The adverse effects on corporate earnings and the stock markets would be more severe as a result, and the risk of a financial crisis would increase. There are other uncertainties as to what will happen after the pandemic. Some sectors could be affected by the current setbacks in consumption, production and trade for a long time to come. The long-term consequences of the budgetary and fiscal measures could also disrupt outlooks beyond this year. If they lead to a change of governance or, worse, a political crisis, the results of the U.S. election on November 3 could affect the scenarios, either negatively or positively. In the United Kingdom, Brexit and negotiations over a trade deal with the European Union have not been settled yet and could come back to haunt the economic situation. In Canada, replacing the Canada Emergency Response Benefit (CERB) and Canada Emergency Student Benefit (CESB) with an Employment Insurance enhancement and some other targeted measures could trigger a sharper than anticipated decrease in some households' income, impacting the evolution of consumer spending. The housing market has been booming for the last few months, increasing the risk that some of the country's markets will potentially become overvalued, making them more vulnerable to a price correction. In addition, the cut in key interest rates to the effective lower bound could potentially heighten concerns over high household debt if rates remain low for too long. Similarly, the robust stimulus plans announced by governments could cast doubt on public finances and put upward pressure on bond yields, especially if the economic crisis persists.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2019	2020f	2021f	2019	2020f	2021f
Advanced economies	37.8	1.6	-5.8	3.4	1.4	0.7	1.3
United States	15.1	2.2	-3.8	3.6	1.8	1.3	1.9
Canada	1.3	1.7	-5.8	4.5	1.9	0.6	1.6
<i>Quebec</i>	<i>0.3</i>	<i>2.6</i>	<i>-5.8</i>	<i>4.9</i>	<i>2.1</i>	<i>0.7</i>	<i>1.5</i>
<i>Ontario</i>	<i>0.5</i>	<i>1.7</i>	<i>-6.0</i>	<i>4.7</i>	<i>1.9</i>	<i>0.5</i>	<i>1.6</i>
Japan	4.0	0.7	-5.0	3.0	0.5	-0.1	0.1
United Kingdom	2.2	1.3	-11.0	2.5	1.8	0.8	1.5
Euro zone	11.6	1.3	-8.0	4.1	1.2	0.4	1.0
<i>Germany</i>	<i>3.3</i>	<i>0.6</i>	<i>-5.4</i>	<i>3.2</i>	<i>1.4</i>	<i>0.5</i>	<i>1.5</i>
<i>France</i>	<i>2.2</i>	<i>1.5</i>	<i>-11.0</i>	<i>4.2</i>	<i>1.1</i>	<i>0.5</i>	<i>1.0</i>
<i>Italy</i>	<i>1.8</i>	<i>0.3</i>	<i>-10.9</i>	<i>3.2</i>	<i>0.6</i>	<i>0.0</i>	<i>0.5</i>
Other countries	3.9	1.1	-2.7	1.7	0.9	0.3	0.7
<i>Australia</i>	<i>0.9</i>	<i>1.8</i>	<i>-4.0</i>	<i>2.8</i>	<i>1.6</i>	<i>0.6</i>	<i>1.5</i>
Emerging and developing economies	62.2	3.5	-3.9	6.2	3.8	3.0	3.0
North Asia	27.6	5.3	-1.4	7.9	3.2	3.5	2.7
<i>China</i>	<i>18.6</i>	<i>6.1</i>	<i>1.6</i>	<i>8.0</i>	<i>2.9</i>	<i>2.8</i>	<i>2.0</i>
<i>India</i>	<i>7.7</i>	<i>4.2</i>	<i>-8.9</i>	<i>8.5</i>	<i>3.7</i>	<i>5.4</i>	<i>4.3</i>
South Asia	5.4	4.2	-4.6	5.7	1.9	0.9	2.0
Latin America	5.9	0.9	-7.5	4.5	3.5	2.5	3.2
<i>Mexico</i>	<i>1.8</i>	<i>-0.3</i>	<i>-9.0</i>	<i>4.5</i>	<i>3.6</i>	<i>3.6</i>	<i>3.5</i>
<i>Brazil</i>	<i>2.5</i>	<i>1.1</i>	<i>-6.2</i>	<i>3.5</i>	<i>3.8</i>	<i>2.0</i>	<i>3.3</i>
Eastern Europe	7.5	2.0	-4.6	4.3	6.6	5.6	5.2
<i>Russia</i>	<i>3.0</i>	<i>1.3</i>	<i>-5.0</i>	<i>3.5</i>	<i>4.5</i>	<i>3.8</i>	<i>3.5</i>
Other countries	15.9	1.6	-7.2	5.1	6.8	4.4	5.2
<i>South Africa</i>	<i>0.6</i>	<i>0.1</i>	<i>-8.7</i>	<i>3.6</i>	<i>4.1</i>	<i>3.3</i>	<i>4.0</i>
World	100.0	2.8	-4.6	5.2	2.9	2.1	2.4

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2018.

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

FINANCIAL FORECASTS

Financial markets have been hesitant in recent weeks. Investors are concerned about the increase in COVID-19 cases, and a second wave has now been confirmed in several locations, including Canada and Europe. This is forcing some governments to reinstate targeted lockdown measures that will put the brakes on economic growth in the fourth quarter. The arduous negotiations over a new budget stimulus package in the United States and looming presidential elections are also keeping some volatility in the markets. The authorities' determination to avoid a general lockdown like last spring's, and the numerous ongoing assistance programs for households and businesses are limiting negative sentiment in the markets, however. Economic numbers confirming a major third-quarter rebound in advanced economies and relatively encouraging corporate results are also supporting investor confidence. The bond market seems to be starting to show a little more concern about the substantial erosion of public finances, particularly in the United States, putting some upside pressure on long-term bond yields. As inflationary pressure remains very weak and the second wave of COVID-19 is increasing the downside risks, however, the Federal Reserve and Bank of Canada will make sure to keep financial conditions very favourable to do as much as they can to foster a recovery by economic activity. They will therefore continue to make massive bond purchases in the months to come, which should limit upside pressure on bond yields.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2019		2020				2021			
	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.75	0.75	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Federal bonds										
<u>United States</u>										
2-year	1.66	1.58	0.25	0.17	0.13	0.15	0.15	0.20	0.25	0.35
5-year	1.54	1.68	0.36	0.28	0.27	0.30	0.30	0.35	0.40	0.50
10-year	1.67	1.92	0.67	0.65	0.68	0.75	0.75	0.80	0.85	0.90
30-year	2.11	2.39	1.32	1.41	1.45	1.55	1.55	1.55	1.60	1.65
<u>Canada</u>										
2-year	1.58	1.69	0.42	0.28	0.25	0.25	0.25	0.30	0.35	0.40
5-year	1.40	1.68	0.60	0.36	0.36	0.35	0.35	0.40	0.45	0.50
10-year	1.37	1.70	0.71	0.52	0.57	0.60	0.65	0.70	0.75	0.80
30-year	1.53	1.76	1.32	0.99	1.11	1.15	1.15	1.15	1.20	1.25
Currency market										
Canadian dollar (USD/CAD)	1.32	1.30	1.41	1.36	1.33	1.33	1.33	1.32	1.31	1.30
Canadian dollar (CAD/USD)	0.76	0.77	0.71	0.74	0.75	0.75	0.75	0.76	0.77	0.77
Euro (EUR/USD)	1.09	1.12	1.10	1.12	1.17	1.17	1.17	1.18	1.19	1.20
British pound (GBP/USD)	1.23	1.32	1.24	1.24	1.29	1.28	1.28	1.30	1.32	1.34
Yen (USD/JPY)	108	109	108	108	105	105	106	107	109	110
Stock markets (level and growth)*										
United States – S&P 500	3,231		Target: 3,450 (+6.8%)				Target: 3,650 (+5.8%)			
Canada – S&P/TSX	17,063		Target: 17,000 (-0.4%)				Target: 18,500 (+8.8%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	57 (61*)		39 (42*)				47 (50*)			
Gold (US\$/ounce)	1,393 (1,521*)		1,780 (1,925*)				1,835 (1,780*)			

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)	2020				2021		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2018	2019	2020f	2021f
Real GDP (2012 US\$)	-5.0	-31.4	30.2	3.6	3.9	3.0	3.0	2.2	-3.8	3.6
Personal consumption expenditures	-6.9	-33.2	41.5	4.1	2.7	2.3	2.7	2.4	-3.7	4.1
Residential construction	19.0	-35.6	33.3	20.0	13.1	-1.3	-0.6	-1.7	2.5	7.9
Business fixed investment	-6.7	-27.2	2.2	6.1	5.1	4.5	6.9	2.9	-6.6	2.3
Inventory change (US\$B)	-80.9	-287	-75	-25	25	50.0	53.4	48.5	-117	43.8
Public expenditures	1.3	2.5	-4.4	-1.0	-0.1	1.8	1.8	2.3	1.2	0.0
Exports	-9.5	-64.4	60.0	5.0	5.0	3.0	3.0	-0.1	-13.8	2.1
Imports	-15.0	-54.1	68.0	15.0	4.5	2.0	4.1	1.1	-11.6	6.0
Final domestic demand	-4.6	-27.1	28.2	4.2	3.0	2.4	3.0	2.3	-2.8	3.6
Other indicators										
Nominal GDP	-3.4	-32.8	36.0	5.4	5.8	4.8	5.5	4.0	-2.6	5.5
Employment according to establishments	0.4	-40.0	22.9	5.7	4.6	3.1	1.6	1.4	-5.7	2.4
Unemployment rate (%)	3.8	13.0	8.8	7.7	7.3	7.0	3.9	3.7	8.3	7.0
Housing starts ¹ (thousands of units)	1,484	1,079	1,430	1,433	1,383	1,392	1,248	1,296	1,357	1,412
Total inflation rate*	2.1	0.4	1.3	1.2	1.4	2.6	2.4	1.8	1.3	1.9
Core inflation rate* ³	2.2	1.3	1.7	1.7	1.5	2.2	2.1	2.2	1.7	1.7

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)	2020				2021		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2018	2019	2020f	2021f
Real GDP (2012 \$)	-8.2	-38.7	45.0	2.2	4.7	4.2	2.0	1.7	-5.8	4.5
Final consumption expenditure [of which:]	-9.3	-34.9	42.5	3.8	5.7	5.2	2.4	1.8	-5.0	5.3
Household consumption expenditure	-12.4	-43.0	56.3	3.7	7.1	6.7	2.2	1.6	-7.0	6.3
Governments consumption expenditure	-1.1	-10.4	8.0	4.0	2.0	1.5	3.0	2.1	-0.5	2.0
Gross fixed capital formation [of which:]	-1.1	-45.6	34.9	1.3	6.0	4.6	1.2	-0.4	-7.2	2.9
Residential structures	-3.0	-47.6	65.3	9.0	9.1	5.0	-1.6	-0.6	-3.6	7.7
Non-residential structures	6.9	-51.5	20.0	-8.0	5.0	5.0	-0.6	0.7	-8.3	-1.4
Machinery and equipment	-17.2	-64.6	22.0	-8.0	5.0	5.0	4.7	-0.1	-23.1	-3.4
Intellectual property products	1.9	-27.7	15.0	10.0	5.0	4.0	3.9	-4.8	-4.2	4.2
Governments gross fixed capital formation	5.0	-17.9	20.0	5.0	3.0	3.0	5.2	-0.3	0.5	3.7
Investment in inventories (2012 \$B)	4.3	-37.9	-6.9	3.6	7.6	8.1	13.0	15.1	-9.2	8.8
Exports	-8.6	-55.6	78.4	17.2	10.2	15.6	3.1	1.3	-8.9	11.4
Imports	-9.9	-64.1	81.4	24.8	15.0	17.7	2.6	0.6	-12.6	12.6
Final domestic demand	-7.5	-37.4	41.0	3.3	5.7	5.1	2.1	1.3	-5.5	4.8
Other indicators										
Nominal GDP	-9.9	-41.5	48.0	3.7	6.2	6.2	3.9	3.6	-5.9	5.9
Employment	-5.8	-38.4	39.2	11.2	6.2	2.3	1.3	2.1	-5.1	5.4
Unemployment rate (%)	6.3	13.0	10.0	8.5	7.8	7.8	5.8	5.7	9.5	7.8
Housing starts ¹ (thousands of units)	209	191	239	198	192	195	213	209	209	197
Total inflation rate*	1.8	0.0	0.3	0.4	0.8	2.0	2.3	1.9	0.6	1.6
Core inflation rate* ³	1.8	1.0	0.6	0.8	0.7	1.0	1.9	2.0	1.1	0.9

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)	2017	2018	2019	2020f	2021f
Real GDP (2012 \$)	2.8	2.5	2.6	-5.8	4.9
Final consumption expenditure [of which:]	2.9	2.3	2.1	-5.2	5.5
<i>Household consumption expenditure</i>	3.3	2.2	1.6	-7.6	6.8
<i>Governments consumption expenditure</i>	2.3	2.5	3.1	-0.4	2.0
Gross fixed capital formation [of which:]	7.5	3.5	3.0	-11.0	0.9
<i>Residential structures</i>	7.3	4.0	3.9	-9.3	0.8
<i>Non-residential structures</i>	1.1	-0.9	4.2	-18.0	-4.3
<i>Machinery and equipment</i>	19.0	-1.6	2.7	-19.1	-1.1
<i>Intellectual property products</i>	3.7	4.6	-2.5	-5.8	0.2
<i>Governments gross fixed capital formation</i>	8.2	9.4	3.3	-5.5	5.7
Investment in inventories (2012 \$B)	562	1,984	3,698	-1,924	2,000
Exports	0.8	4.2	1.7	-8.6	5.9
Imports	6.0	2.8	0.8	-15.2	2.4
Final domestic demand	3.8	2.5	2.3	-6.4	4.6
Other indicators					
Nominal GDP	5.0	4.8	4.5	-4.8	6.3
Real disposable personal income	4.3	2.8	3.7	8.5	-3.5
Weekly earnings	2.8	3.2	3.5	6.9	0.2
Employment	2.2	0.9	1.8	-4.9	4.6
Unemployment rate (%)	6.1	5.5	5.1	9.1	7.0
Personal saving rate (%)	5.7	6.2	8.3	22.0	13.9
Retail sales	5.5	3.6	0.9	-1.2	9.1
Housing starts ¹ (thousands of units)	46.5	46.9	48.0	53.0	47.0
Total inflation rate	1.0	1.7	2.1	0.7	1.5

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)	2017	2018	2019	2020f	2021f
Real GDP (2012 \$)	2.9	2.2	1.7	-6.0	4.7
Final consumption expenditure [of which:]	3.5	2.8	2.2	-5.4	5.5
<i>Household consumption expenditure</i>	4.1	2.5	2.2	-7.4	6.3
<i>Governments consumption expenditure</i>	2.0	3.7	2.4	-0.5	2.4
Gross fixed capital formation [of which:]	4.4	2.0	-0.7	-5.6	3.7
<i>Residential structures</i>	0.6	-3.3	-0.3	-2.2	7.1
<i>Non-residential structures</i>	3.2	1.0	-5.0	-8.0	-1.7
<i>Machinery and equipment</i>	13.9	11.5	0.5	-20.5	-2.8
<i>Intellectual property products</i>	1.9	2.9	-2.9	-1.8	6.0
<i>Governments gross fixed capital formation</i>	7.9	6.2	4.1	1.3	5.0
Investment in inventories (2012 \$B)	7,306	7,424	7,149	-8,763	-4,814
Exports	0.4	0.9	2.0	-9.3	13.1
Imports	3.1	1.6	1.4	-9.9	15.8
Final domestic demand	3.7	2.6	1.6	-5.5	5.1
Other indicators					
Nominal GDP	4.6	3.7	3.9	-5.9	5.9
Real disposable personal income	3.6	2.7	3.2	6.0	-1.6
Weekly earnings	1.9	2.9	2.8	6.9	1.2
Employment	1.8	1.6	2.9	-4.8	6.0
Unemployment rate (%)	6.0	5.6	5.6	9.4	7.6
Personal saving rate (%)	-0.6	-0.6	0.2	9.4	5.6
Retail sales	7.7	4.4	2.9	-4.5	7.2
Housing starts ¹ (thousands of units)	79.1	78.7	69.0	79.5	76.5
Total inflation rate*	1.7	2.4	1.9	0.5	1.6

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)	2017	2018	2019	2020f	2021f
Real GDP growth – Canada	3.2	2.0	1.7	-5.8	4.5
Atlantic	1.6	-0.1	1.5	-4.9	3.7
Quebec	2.8	2.5	2.6	-5.8	4.9
Ontario	2.9	2.2	1.7	-6.0	4.7
Manitoba	3.1	1.3	1.0	-4.5	4.0
Saskatchewan	1.7	1.3	-0.8	-5.5	4.4
Alberta	4.8	1.6	-0.6	-7.0	4.9
British Columbia	3.7	2.6	2.8	-4.7	4.0
Total inflation rate – Canada	1.6	2.3	1.9	0.6	1.6
Atlantic	1.8	2.0	1.5	0.1	1.2
Quebec	1.0	1.7	2.1	0.7	1.5
Ontario	1.7	2.4	1.9	0.5	1.6
Manitoba	1.6	2.5	2.2	0.4	1.4
Saskatchewan	1.7	2.3	1.7	0.5	1.4
Alberta	1.6	2.4	1.8	1.1	1.5
British Columbia	2.1	2.7	2.3	0.7	1.6
Employment growth – Canada	1.9	1.3	2.1	-5.1	5.4
Atlantic	-0.2	1.0	1.5	-4.3	3.9
Quebec	2.2	0.9	1.8	-4.9	4.6
Ontario	1.8	1.6	2.9	-4.8	6.0
Manitoba	1.7	0.6	0.9	-2.7	4.0
Saskatchewan	-0.2	0.4	1.8	-4.4	4.5
Alberta	1.0	1.9	0.5	-7.0	5.0
British Columbia	3.7	1.1	2.6	-6.3	6.0
Unemployment rate – Canada	6.3	5.8	5.7	9.5	7.8
Atlantic	9.7	9.1	8.5	10.6	9.6
Quebec	6.1	5.5	5.1	9.1	7.0
Ontario	6.0	5.6	5.6	9.4	7.6
Manitoba	5.4	6.0	5.3	7.7	6.8
Saskatchewan	6.3	6.1	5.4	8.2	6.9
Alberta	7.8	6.6	6.9	11.5	9.8
British Columbia	5.1	4.7	4.7	9.1	7.4
Retail sales growth – Canada	7.1	2.9	1.6	-2.4	7.1
Atlantic	6.2	0.3	1.9	-0.2	3.1
Quebec	5.5	3.6	0.9	-1.2	9.1
Ontario	7.7	4.4	2.9	-4.5	7.2
Manitoba	7.8	2.9	1.2	2.0	4.0
Saskatchewan	4.1	-0.3	-0.5	-0.8	6.0
Alberta	7.1	2.0	-0.9	-4.0	7.0
British Columbia	9.3	2.0	0.6	0.6	6.5
Housing starts – Canada (thousands of units)	219.8	212.8	208.7	209.1	197.1
Atlantic	8.6	9.3	10.1	9.8	9.4
Quebec	46.5	46.9	48.0	53.0	47.0
Ontario	79.1	78.7	69.0	79.5	76.5
Manitoba	7.5	7.4	6.9	5.7	5.4
Saskatchewan	4.9	3.6	2.4	2.7	2.6
Alberta	29.5	26.1	27.3	22.8	22.0
British Columbia	43.7	40.9	44.9	35.6	34.3

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	
	2018	2019	2020f	2021f	2022f	2023f	2024f	2015–2019	2020–2024f
United States									
Real GDP (var. in %)	3.0	2.2	-3.8	3.6	2.8	2.5	2.0	2.5	1.4
Total inflation rate (var. in %)	2.4	1.8	1.3	1.9	1.8	1.8	1.9	1.6	1.7
Unemployment rate	3.9	3.7	8.3	7.0	6.5	6.1	5.9	4.4	6.8
S&P 500 index (var. in %) ¹	-6.2	28.9	6.8	5.8	6.0	7.0	6.0	10.2	6.3
Federal funds rate	1.90	2.28	0.55	0.25	0.25	0.45	1.10	1.21	0.52
Prime rate	4.90	5.28	3.55	3.25	3.25	3.45	4.10	4.21	3.52
Treasury bills – 3-month	1.97	2.10	0.35	0.10	0.15	0.50	1.05	1.08	0.43
Federal bonds – 10-year	2.91	2.14	0.85	0.85	1.10	1.60	1.95	2.27	1.27
– 30-year	3.11	2.58	1.55	1.60	1.85	2.10	2.40	2.81	1.90
WTI oil (US\$/barrel)	65	57	39	47	54	56	56	53	50
Gold (US\$/ounce)	1,269	1,393	1,780	1,835	1,730	1,630	1,600	1,266	1,715
Canada									
Real GDP (var. in %)	2.0	1.7	-5.8	4.5	2.4	2.2	2.0	1.7	1.1
Total inflation rate (var. in %)	2.3	1.9	0.6	1.6	1.7	1.8	1.9	1.7	1.5
Employment (var. in %)	1.3	2.1	-5.1	5.4	1.6	1.5	1.3	1.4	0.9
Employment (thousands)	241	398	-981	976	304	290	258	251	169
Unemployment rate	5.8	5.7	9.5	7.8	7.3	6.4	6.2	6.3	7.4
Housing starts (thousands of units)	213	209	209	197	205	209	215	207	207
S&P/TSX index (var. in %) ¹	-11.6	19.1	-0.4	8.8	8.0	7.0	6.0	4.0	5.9
Exchange rate (US\$/C\$)	0.77	0.75	0.74	0.76	0.77	0.77	0.79	0.77	0.77
Overnight funds	1.40	1.75	0.55	0.25	0.25	0.30	0.80	1.00	0.43
Prime rate	3.61	3.95	2.75	2.45	2.45	2.50	3.00	3.19	2.63
Mortgage rate – 1-year	3.47	3.64	3.25	2.60	2.60	2.60	3.00	3.28	2.81
– 5-year	5.26	5.27	4.95	4.50	4.50	4.55	4.85	4.93	4.67
Treasury bills – 3-month	1.37	1.65	0.45	0.25	0.25	0.35	0.80	0.95	0.42
Federal bonds – 2-year	1.99	1.59	0.50	0.35	0.55	0.80	1.10	1.16	0.66
– 5-year	2.15	1.54	0.60	0.45	0.70	1.00	1.35	1.33	0.82
– 10-year	2.28	1.59	0.75	0.75	0.95	1.30	1.60	1.68	1.07
– 30-year	2.36	1.80	1.20	1.20	1.50	1.80	1.95	2.11	1.53
<u>Yield spreads (Canada—United States)</u>									
Treasury bills – 3-month	-0.60	-0.45	0.10	0.15	0.10	-0.15	-0.25	-0.13	-0.01
Federal bonds – 10-year	-0.63	-0.55	-0.10	-0.10	-0.15	-0.30	-0.35	-0.59	-0.20
– 30-year	-0.75	-0.78	-0.35	-0.40	-0.35	-0.30	-0.45	-0.69	-0.37
Quebec									
Real GDP (var. in %)	2.5	2.6	-5.8	4.9	2.0	1.8	1.5	2.1	0.9
Total inflation rate (var. in %)	1.7	2.1	0.7	1.5	1.8	1.9	2.0	1.3	1.6
Employment (var. in %)	0.9	1.8	-4.9	4.6	1.7	1.0	0.6	1.3	0.6
Employment (thousands)	39	78	-210	190	75	45	25	48	25
Unemployment rate	5.5	5.1	9.1	7.0	6.4	6.1	5.8	6.3	6.9
Retail sales (var. in %)	3.6	0.9	-1.2	9.1	4.5	4.0	3.5	3.7	4.0
Housing starts (thousands of units)	47	48	53	47	42	41	41	44	45
Ontario									
Real GDP (var. in %)	2.2	1.7	-6.0	4.7	2.4	2.6	2.0	2.3	1.1
Total inflation rate (var. in %)	2.4	1.9	0.5	1.6	1.8	2.0	2.1	1.8	1.6
Employment (var. in %)	1.6	2.9	-4.8	6.0	1.7	1.5	1.3	1.6	1.1
Employment (thousands)	114	210	-356	425	128	115	101	115	82
Unemployment rate	5.6	5.6	9.4	7.6	7.1	6.3	6.0	6.1	7.3
Retail sales (var. in %)	4.4	2.9	-4.5	7.2	3.5	4.0	3.0	5.4	2.6
Housing starts (thousands of units)	79	69	80	77	78	79	80	74	79

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