

# ECONOMIC & FINANCIAL OUTLOOK

## Expecting Central Bank Liftoff to Come a Bit Earlier

### HIGHLIGHTS

- ▶ The issues with supply chains, material and energy costs, and labour shortages seem to be affecting economies more and more. This is reflected in not only the decline in some PMI indexes in recent months, but also higher inflation. The global economic situation nevertheless remains strong, and healthy real GDP growth is expected for the second half of 2021. A deceleration has been noted in China, however, with the country's real GDP gaining just 0.2% (non-annualized) in the third quarter.
- ▶ In the United States, real GDP growth should be weaker in the third quarter than the annualized variation of 6.7% in the spring. In particular, we expect a slowdown in the consumption of goods and in investments in equipment, both weighed down by the motor vehicle sector. Another disappointment is how weak job creation has been over the past two months, as the job market still has a long way to go to catch up and the main enhancements to unemployment benefits have ended.
- ▶ In Canada, after falling 0.1% in July, real GDP by industry should see a 0.7% rebound in August, according to Statistics Canada's preliminary results. This gain might even be a little bit higher based on our estimates. The entire third quarter should therefore wrap up with real GDP growth of around 4.0% (annualized). Moreover, domestic demand should pick up after slowing significantly in the spring.
- ▶ The latest events, particularly the increased risk of a more sustained rise in inflation, are putting more pressure on central banks. The Federal Reserve and the Bank of Canada may therefore act slightly earlier than previously anticipated. We now expect the first increase in Canadian key rates to come in July 2022 rather than in October.
- ▶ With the fourth wave running out of steam in Quebec, public health measures continue to be relaxed. Allowing bars and restaurants to open at full capacity as of November 1 will accelerate the recovery of the services sector. Real GDP, which has already reached its pre-pandemic level, will keep growing after a solid summer. The unemployment rate fell to 5.7% in September, and the high vacancy rate is putting pressure on wages.
- ▶ As expected, Ontario's real GDP dropped 3.0% (annualized) in the second quarter, as the adverse effects of the third wave of COVID-19 were felt particularly hard. Excluding Quebec and Ontario, real GDP was also down around 1.6% in the second quarter. However, all of the regions should return to positive territory in the third quarter.

### MAIN CHANGES

- ▶ The global economic growth forecast for 2021 was adjusted downward following revised forecasts for China and the United States. Inflation forecasts were again revised upward for many regions.

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### RISKS INHERENT TO OUR SCENARIOS

The pandemic is not over yet, and the way it progresses is an important risk factor that can still affect our economic scenarios. The slow pace of vaccination campaigns in some countries, lower-than-expected vaccine efficacy and the spread of new variants could affect the economic situation, forcing the extension or reintroduction of restrictive health measures. This would also affect the financial markets by eroding profit outlooks and investor optimism. The many supply and demand imbalances, including new production constraints stemming from the pandemic and supply problems, have caused an acceleration in inflation that could persist, particularly if the pressures on wages and housing costs become greater. That said, economic growth, still supported by fiscal and monetary policies, could be stronger than expected. The surplus savings stockpiled during the pandemic could be spent rapidly, leading to robust demand and sustained growth in consumer prices. In the United States, the passing and implementation of President Joe Biden's ambitious infrastructure and family assistance plans could lead to stronger economic growth in the medium term. However, the political uncertainty fed by partisan divisions in Congress may affect the economy and the markets. The improved economic outlook and rapid rise in prices are making things harder for the central banks. Maintaining overly stimulating monetary policies or other highly aggressive budgetary measures could lead to a much bigger surge in inflation expectations and make bond yields rise. On the other hand, tightening monetary policies too abruptly could also trigger a negative market reaction. A major financial crisis in China could also worry international investors. In Canada, including Quebec, the boom in the residential real estate market is waning, but the risks of a possible price correction persist.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2020	2021f	2022f	2020	2021f	2022f
<b>Advanced economies</b>	<b>39.8</b>	<b>-4.8</b>	<b>4.9</b>	<b>3.7</b>	<b>0.7</b>	<b>2.9</b>	<b>2.4</b>
United States	15.8	-3.4	5.7	3.6	1.2	4.5	3.3
Canada	1.4	-5.3	5.1	4.2	0.7	3.3	2.8
<i>Quebec</i>	0.3	-5.3	7.0	2.7	0.8	3.6	2.6
<i>Ontario</i>	0.5	-5.1	4.6	4.4	0.7	3.3	2.9
Japan	4.0	-4.7	2.5	2.3	0.0	-0.2	0.7
United Kingdom	2.4	-9.7	6.2	5.0	0.9	2.4	3.0
Euro zone	12.4	-6.5	5.1	4.4	0.3	2.4	1.9
<i>Germany</i>	3.4	-4.9	2.6	4.2	0.5	3.1	2.2
<i>France</i>	2.4	-8.0	6.2	3.8	0.5	1.8	1.7
<i>Italy</i>	2.0	-9.0	5.8	4.3	-0.1	1.7	1.6
Other countries	4.2	-1.5	2.3	2.0	0.4	1.3	1.1
<i>Australia</i>	1.0	-2.4	3.7	3.5	0.9	2.6	2.1
<b>Emerging and developing economies</b>	<b>60.2</b>	<b>-2.6</b>	<b>6.3</b>	<b>4.7</b>	<b>3.0</b>	<b>3.6</b>	<b>3.6</b>
North Asia	25.5	-0.4	8.0	5.5	3.6	2.7	3.2
<i>China</i>	17.3	2.3	8.0	5.1	2.5	1.3	2.4
<i>India</i>	7.1	-7.3	8.7	6.8	6.6	5.4	5.0
South Asia	5.3	-4.6	3.0	5.1	0.9	2.0	2.5
Latin America	5.9	-6.4	5.9	2.8	3.1	5.8	3.9
<i>Mexico</i>	1.9	-8.3	6.1	3.0	3.4	6.1	3.9
<i>Brazil</i>	2.4	-4.4	5.0	2.2	3.6	7.0	4.3
Eastern Europe	8.0	-2.1	4.4	3.6	5.3	7.8	6.0
<i>Russia</i>	3.2	-3.0	3.3	2.7	3.4	5.8	4.3
Other countries	15.4	-4.4	6.2	4.5	4.2	5.0	5.6
<i>South Africa</i>	0.6	-6.4	4.2	2.5	3.2	4.6	4.6
<b>World</b>	<b>100.0</b>	<b>-3.5</b>	<b>5.7</b>	<b>4.3</b>	<b>2.1</b>	<b>3.3</b>	<b>3.1</b>

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; \* 2019.  
 Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

## FINANCIAL FORECASTS

Financial markets remained very volatile in recent weeks. Despite an agreement to fend off the risks of a U.S. government shutdown or default on its financial commitments, stock markets took a nosedive at the end of September. This was mainly a reflection of the sharp increase in bond yields after the Federal Reserve (Fed) signalled an imminent decrease in its asset purchases and a faster rise in its key rates. The spike in energy prices, at a time when fear of a crisis in Europe is looming and oil jumped to over US\$80 a barrel, has also heightened fears surrounding inflation. The U.S. 10-year bond yield has therefore leaped about 35 basis points since mid-September. Also benefiting from the new surge in commodity prices and robust economic statistics, Canadian yields rose even further, which helped push the loonie above US\$0.80. Supported by an earnings season that is starting off really well, the stock markets rebounded over the last few sessions. The latest events, particularly the increased risk of a more sustained rise in inflation, are putting more pressure on central banks. In the United Kingdom, the Bank of England gave a clear signal that it could raise its key rate soon. The Fed and the Bank of Canada will be more patient, but may act slightly earlier than previously anticipated. We therefore expect the first increase in Canadian key rates to come in July 2022 rather than in October.

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

END OF PERIOD IN % (EXCEPT IF INDICATED)	2020		2021				2022			
	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Key interest rate</b>										
United States	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75
Canada	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.50	0.50
<b>Federal bonds</b>										
<u>United States</u>										
2-year	0.13	0.13	0.16	0.24	0.26	0.50	0.70	0.90	1.15	1.40
5-year	0.27	0.35	0.92	0.86	0.98	1.25	1.40	1.55	1.70	1.85
10-year	0.68	0.91	1.75	1.44	1.53	1.70	1.90	2.10	2.25	2.40
30-year	1.45	1.64	2.42	2.07	2.09	2.20	2.35	2.50	2.60	2.75
<u>Canada</u>										
2-year	0.25	0.20	0.22	0.45	0.53	0.85	1.00	1.15	1.30	1.45
5-year	0.36	0.39	0.99	0.97	1.11	1.35	1.50	1.65	1.80	1.90
10-year	0.57	0.67	1.55	1.39	1.51	1.70	1.85	2.00	2.15	2.25
30-year	1.11	1.21	1.97	1.84	1.98	2.10	2.20	2.30	2.40	2.45
<b>Currency market</b>										
Canadian dollar (USD/CAD)	1.33	1.27	1.26	1.24	1.27	1.22	1.22	1.21	1.20	1.20
Canadian dollar (CAD/USD)	0.75	0.79	0.80	0.81	0.79	0.82	0.82	0.83	0.83	0.83
Euro (EUR/USD)	1.17	1.22	1.18	1.19	1.16	1.17	1.18	1.18	1.17	1.16
British pound (GBP/USD)	1.29	1.37	1.38	1.38	1.35	1.39	1.41	1.42	1.43	1.44
Yen (USD/JPY)	105	103	111	111	111	113	112	112	113	114
<b>Stock markets (level and growth)*</b>										
United States – S&P 500	3,756		Target: 4,550 (+21.1%)				Target: 4,825 (+6.0%)			
Canada – S&P/TSX	17,433		Target: 21,000 (+23.3%)				Target: 23,000 (+7.0%)			
<b>Commodities (annual average)</b>										
WTI oil (US\$/barrel)	39 (48*)		68 (75*)				67 (65*)			
Gold (US\$/ounce)	1,771 (1,898*)		1,790 (1,740*)				1,665 (1,610*)			

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)	2021				2022		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2019	2020	2021f	2022f
Real GDP (2012 US\$)	6.3	6.7	3.8	3.8	3.3	4.0	2.3	-3.4	5.7	3.6
Personal consumption expenditures	11.4	12.0	1.7	3.9	3.2	4.3	2.2	-3.8	7.9	3.6
Residential construction	13.3	-11.7	-2.0	2.1	4.3	4.2	-0.9	6.8	10.0	1.7
Business fixed investment	12.9	9.2	0.8	6.1	7.2	8.0	4.3	-5.3	7.5	6.3
Inventory change (US\$B)	-88.3	-169	-40.0	-10.0	0.0	0.0	75.1	-42.3	-76.7	5.0
Public expenditures	4.2	-2.0	1.6	1.1	1.5	2.2	2.2	2.5	0.8	1.5
Exports	-2.9	7.6	2.0	5.0	6.0	6.0	-0.1	-13.6	4.5	5.5
Imports	9.3	7.1	1.0	7.0	8.0	8.0	1.2	-8.9	12.8	6.5
Final domestic demand	10.4	8.0	1.4	3.7	3.5	4.5	2.4	-2.5	6.7	3.6
<b>Other indicators</b>										
Nominal GDP	10.9	13.4	9.4	6.7	5.7	6.0	4.1	-2.2	9.7	6.7
Employment according to establishments	2.1	4.8	6.3	2.9	3.1	2.9	1.3	-5.7	2.6	3.5
Unemployment rate (%)	6.2	5.9	5.1	4.6	4.5	4.4	3.7	8.1	5.5	4.2
Housing starts <sup>1</sup> (thousands of units)	1,599	1,588	1,566	1,608	1,632	1,653	1,296	1,396	1,590	1,655
Total inflation rate*	1.9	4.8	5.3	5.9	5.5	3.6	1.8	1.2	4.5	3.3
Core inflation rate* <sup>2</sup>	1.4	3.7	4.1	4.3	4.7	3.2	2.2	1.7	3.4	3.2

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)	2021				2022		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2019	2020	2021f	2022f
<b>Real GDP</b> (2012 \$)	<b>5.5</b>	<b>-1.1</b>	<b>4.0</b>	<b>7.1</b>	<b>4.7</b>	<b>3.7</b>	<b>1.9</b>	<b>-5.3</b>	<b>5.1</b>	<b>4.2</b>
Final consumption expenditure [of which:]	3.6	2.0	7.2	10.2	7.5	3.8	1.7	-4.4	5.3	5.7
Household consumption expenditure	2.6	0.2	8.2	13.7	9.9	5.1	1.6	-6.0	5.0	7.4
Governments consumption expenditure	6.9	6.1	5.0	1.3	1.5	0.5	2.0	-0.3	6.1	1.4
Gross fixed capital formation [of which:]	16.6	-3.2	-4.1	2.6	5.3	4.3	0.3	-3.7	8.1	3.5
Residential structures	42.1	-12.4	-13.9	-6.9	-3.9	-4.4	-0.2	4.1	16.7	-6.2
Non-residential structures	1.9	5.1	4.9	5.5	9.6	11.6	1.1	-11.3	-4.3	8.3
Machinery and equipment	-16.7	24.9	-8.6	3.1	8.7	12.8	1.0	-17.4	4.7	7.5
Intellectual property products	18.7	3.3	-14.0	5.7	9.9	12.0	-1.9	-3.5	5.3	5.7
Governments gross fixed capital formation	8.1	-7.7	12.5	16.7	14.3	3.5	0.3	4.1	7.0	8.3
Investment in inventories (2012 \$B)	-5.8	8.3	-4.6	-4.8	-9.8	-8.3	18.8	-15.9	-1.7	-8.8
Exports	3.3	-15.0	14.5	11.3	11.4	12.5	1.3	-10.0	2.7	9.8
Imports	4.3	-0.1	8.6	16.0	16.5	14.5	0.4	-11.2	8.1	11.7
Final domestic demand	6.5	0.7	4.6	8.4	6.9	3.8	1.4	-4.3	5.8	4.9
<b>Other indicators</b>										
Nominal GDP	18.6	7.9	7.7	13.0	2.7	5.6	3.6	-4.6	13.1	6.1
Employment	1.0	2.5	7.4	5.3	2.7	2.4	2.2	-5.2	4.8	3.6
Unemployment rate (%)	8.4	8.0	7.2	6.6	6.3	6.0	5.7	9.5	7.6	6.0
Housing starts <sup>1</sup> (thousands of units)	306	280	263	240	233	229	209	218	272	227
Total inflation rate*	1.4	3.3	4.1	4.3	4.0	3.4	1.9	0.7	3.3	2.8
Core inflation rate* <sup>2</sup>	1.0	2.1	3.0	3.0	3.2	2.7	2.0	1.1	2.3	2.5

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)	2018	2019	2020	2021f	2022f
<b>Real GDP (2012 \$)</b>	<b>2.9</b>	<b>2.7</b>	<b>-5.3</b>	<b>7.0</b>	<b>2.7</b>
Final consumption expenditure [of which:]	2.4	2.1	-4.1	5.5	4.9
<i>Household consumption expenditure</i>	2.7	2.1	-5.5	5.6	6.0
<i>Governments consumption expenditure</i>	1.7	2.2	-0.3	5.6	2.6
Gross fixed capital formation [of which:]	4.0	3.2	-1.7	8.4	1.0
<i>Residential structures</i>	3.9	3.7	2.9	17.7	-3.0
<i>Non-residential structures</i>	3.0	6.3	-4.1	-0.6	2.0
<i>Machinery and equipment</i>	-0.4	7.3	-15.1	-5.4	3.0
<i>Intellectual property products</i>	3.9	-0.6	-3.1	14.2	2.7
<i>Governments gross fixed capital formation</i>	8.2	-0.9	1.4	3.6	4.5
Investment in inventories (2012 \$B)	2,202	4,066	-5,120	445	3,500
Exports	3.8	1.7	-11.7	4.1	4.4
Imports	2.4	1.9	-13.0	6.3	7.6
Final domestic demand	2.7	2.3	-3.6	6.1	4.2
<b>Other indicators</b>					
Nominal GDP	5.4	4.3	-4.1	11.1	5.1
Real disposable personal income	2.8	3.5	9.5	0.8	1.1
Weekly earnings	3.2	3.5	7.8	3.7	3.0
Employment	1.5	2.0	-4.8	4.1	2.9
Unemployment rate (%)	5.5	5.1	8.9	6.3	5.1
Personal saving rate (%)	5.3	6.8	18.9	15.0	10.3
Retail sales	3.6	0.9	-0.2	12.5	3.6
Housing starts <sup>1</sup> (thousands of units)	46.9	48.0	54.1	69.0	58.0
Total inflation rate	1.7	2.1	0.8	3.6	2.6

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)	2018	2019	2020	2021f	2021f
<b>Real GDP (2012 \$)</b>	<b>2.8</b>	<b>2.1</b>	<b>-5.1</b>	<b>4.6</b>	<b>4.4</b>
Final consumption expenditure [of which:]	3.2	1.8	-4.6	4.6	5.1
<i>Household consumption expenditure</i>	2.9	1.9	-6.0	3.9	6.5
<i>Governments consumption expenditure</i>	4.0	1.4	-0.6	6.5	1.1
Gross fixed capital formation [of which:]	4.3	-0.7	-1.2	13.0	1.3
<i>Residential structures</i>	-3.6	0.5	8.5	22.4	-4.9
<i>Non-residential structures</i>	19.8	-4.3	-11.1	-2.0	7.2
<i>Machinery and equipment</i>	6.5	-0.6	-15.1	12.6	7.2
<i>Intellectual property products</i>	6.2	-1.1	-3.3	7.9	6.4
<i>Governments gross fixed capital formation</i>	6.1	0.8	0.3	3.8	3.1
Investment in inventories (2012 \$B)	7,613	8,728	-5,753	-151	-2,767
Exports	1.1	2.1	-8.4	2.3	9.8
Imports	2.3	0.6	-9.5	7.4	8.9
Final domestic demand	3.4	1.2	-3.9	6.5	4.3
<b>Other indicators</b>					
Nominal GDP	4.1	3.8	-4.6	11.4	7.1
Real disposable personal income	2.7	2.6	9.8	1.3	0.1
Weekly earnings	2.9	2.7	7.3	4.4	2.9
Employment	1.7	2.8	-4.8	4.8	4.1
Unemployment rate (%)	5.7	5.6	9.6	8.1	6.5
Personal saving rate (%)	-1.0	-0.6	13.2	9.5	5.5
Retail sales	4.5	2.3	-3.5	8.2	7.0
Housing starts <sup>1</sup> (thousands of units)	78.7	69.0	81.3	101.0	85.7
Total inflation rate*	2.4	1.9	0.7	3.3	2.9

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)	2018	2019	2020	2021f	2022f
<b>Real GDP growth – Canada</b>	<b>2.4</b>	<b>1.9</b>	<b>-5.3</b>	<b>5.1</b>	<b>4.2</b>
Atlantic	-0.1	2.7	-3.9	2.9	3.0
Quebec	2.9	2.7	-5.3	7.0	2.7
Ontario	2.8	2.1	-5.1	4.6	4.4
Manitoba	1.5	0.6	-4.8	4.0	4.0
Saskatchewan	1.2	-0.7	-5.2	5.3	4.8
Alberta	1.9	0.1	-8.2	5.6	5.0
British Columbia	2.7	2.7	-3.8	4.9	4.8
<b>Total inflation rate – Canada</b>	<b>2.3</b>	<b>1.9</b>	<b>0.7</b>	<b>3.3</b>	<b>2.8</b>
Atlantic	2.0	1.5	0.2	3.9	3.3
Quebec	1.7	2.1	0.8	3.6	2.6
Ontario	2.4	1.9	0.7	3.3	2.9
Manitoba	2.5	2.2	0.5	3.2	2.7
Saskatchewan	2.3	1.7	0.6	2.5	2.1
Alberta	2.4	1.8	1.1	3.2	2.8
British Columbia	2.7	2.3	0.8	2.7	2.4
<b>Employment growth – Canada</b>	<b>1.6</b>	<b>2.2</b>	<b>-5.2</b>	<b>4.8</b>	<b>3.6</b>
Atlantic	1.3	1.7	-4.1	3.8	2.6
Quebec	1.5	2.0	-4.8	4.1	2.9
Ontario	1.7	2.8	-4.8	4.8	4.1
Manitoba	1.1	1.0	-3.7	3.7	2.4
Saskatchewan	0.5	1.9	-4.7	2.9	2.2
Alberta	1.9	0.7	-6.6	5.3	3.9
British Columbia	1.4	3.0	-6.6	6.7	4.6
<b>Unemployment rate – Canada</b>	<b>5.9</b>	<b>5.7</b>	<b>9.5</b>	<b>7.6</b>	<b>6.0</b>
Atlantic	9.2	8.7	10.8	9.6	7.7
Quebec	5.5	5.1	8.9	6.3	5.1
Ontario	5.7	5.6	9.6	8.1	6.5
Manitoba	6.0	5.3	8.0	6.5	5.2
Saskatchewan	6.2	5.6	8.4	6.7	5.4
Alberta	6.7	7.0	11.4	8.8	7.0
British Columbia	4.7	4.7	8.9	6.6	5.3
<b>Retail sales growth – Canada</b>	<b>3.0</b>	<b>1.2</b>	<b>-1.3</b>	<b>11.2</b>	<b>6.0</b>
Atlantic	0.2	1.9	0.1	13.3	5.5
Quebec	3.6	0.9	-0.2	12.5	3.6
Ontario	4.5	2.3	-3.5	8.2	7.0
Manitoba	2.2	0.8	0.8	14.5	6.0
Saskatchewan	-0.5	0.3	-1.1	10.5	6.5
Alberta	1.8	-0.8	-2.3	12.8	7.0
British Columbia	1.9	0.6	2.4	13.5	6.5
<b>Housing starts – Canada (thousands of units)</b>	<b>212.8</b>	<b>208.7</b>	<b>217.8</b>	<b>272.0</b>	<b>226.9</b>
Atlantic	9.3	10.1	10.3	11.2	9.4
Quebec	46.9	48.0	54.1	69.0	58.0
Ontario	78.7	69.0	81.3	101.0	85.7
Manitoba	7.4	6.9	7.3	8.8	7.3
Saskatchewan	3.6	2.4	3.1	5.2	4.3
Alberta	26.1	27.3	24.0	30.8	24.2
British Columbia	40.9	44.9	37.7	46.0	38.0

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	
	2019	2020	2021f	2022f	2023f	2024f	2025f	2016–2020	2021–2025f
<b>United States</b>									
Real GDP (var. in %)	2.3	-3.4	5.7	3.6	2.3	1.9	1.6	1.1	3.0
Total inflation rate (var. in %)	1.8	1.2	4.5	3.3	2.5	2.2	2.1	1.8	2.9
Unemployment rate	3.7	8.1	5.5	4.2	3.6	3.4	3.3	5.0	4.0
S&P 500 index (var. in %) <sup>1</sup>	28.9	16.3	21.1	6.0	5.0	4.0	4.0	13.6	8.0
Federal funds rate	2.28	0.54	0.25	0.35	1.15	2.00	2.50	1.27	1.25
Prime rate	5.28	3.54	3.25	3.35	4.15	5.00	5.50	4.27	4.25
Treasury bills – 3-month	2.10	0.37	0.05	0.30	1.10	1.95	2.40	1.14	1.16
Federal bonds – 10-year	2.14	0.89	1.45	2.15	2.65	3.00	3.05	2.02	2.46
– 30-year	2.58	1.56	2.10	2.55	3.05	3.35	3.40	2.55	2.89
WTI oil (US\$/barrel)	57	39	68	67	64	63	61	51	65
Gold (US\$/ounce)	1,393	1,771	1,790	1,665	1,630	1,600	1,600	1,388	1,657
<b>Canada</b>									
Real GDP (var. in %)	1.9	-5.3	5.1	4.2	2.4	1.8	1.6	0.6	3.0
Total inflation rate (var. in %)	1.9	0.7	3.3	2.8	2.2	1.9	2.0	1.6	2.4
Employment (var. in %)	2.2	-5.2	4.8	3.6	1.7	1.3	1.0	0.3	2.5
Employment (thousands)	418	-986	861	676	337	257	210	41	468
Unemployment rate	5.7	9.5	7.6	6.0	5.7	5.3	4.9	6.9	5.9
Housing starts (thousands of units)	209	218	272	227	220	218	215	211	230
S&P/TSX index (var. in %) <sup>1</sup>	19.1	2.2	23.3	7.0	6.0	3.0	3.0	6.6	8.5
Exchange rate (US\$/C\$)	0.75	0.75	0.80	0.83	0.82	0.82	0.81	0.76	0.82
Overnight funds	1.75	0.56	0.25	0.40	1.10	1.80	2.00	0.98	1.11
Prime rate	3.95	2.75	2.45	2.60	3.30	4.00	4.20	3.18	3.31
Mortgage rate – 1-year	3.64	3.25	2.80	3.00	3.35	4.00	4.10	3.33	3.45
– 5-year	5.27	4.95	4.80	5.10	5.50	5.75	5.80	4.98	5.39
Treasury bills – 3-month	1.65	0.44	0.15	0.40	1.15	1.80	2.00	0.93	1.10
Federal bonds – 2-year	1.59	0.51	0.45	1.25	1.80	2.15	2.20	1.15	1.57
– 5-year	1.54	0.60	0.95	1.70	2.15	2.30	2.30	1.28	1.88
– 10-year	1.59	0.75	1.45	2.05	2.40	2.60	2.60	1.53	2.22
– 30-year	1.80	1.21	1.85	2.35	2.65	2.90	2.90	1.92	2.53
<b>Yield spreads (Canada—United States)</b>									
Treasury bills – 3-month	-0.45	0.07	0.10	0.10	0.05	-0.15	-0.40	-0.21	-0.06
Federal bonds – 10-year	-0.55	-0.14	0.00	-0.10	-0.25	-0.40	-0.45	-0.49	-0.24
– 30-year	-0.78	-0.35	-0.25	-0.20	-0.40	-0.45	-0.50	-0.63	-0.36
<b>Quebec</b>									
Real GDP (var. in %)	2.7	-5.3	7.0	2.7	1.9	1.6	1.4	1.0	2.9
Total inflation rate (var. in %)	2.1	0.8	3.6	2.6	2.2	1.9	2.0	1.3	2.5
Employment (var. in %)	2.0	-4.8	4.1	2.9	1.5	1.2	1.0	0.4	2.2
Employment (thousands)	86	-209	170	125	65	55	45	-6	92
Unemployment rate	5.1	8.9	6.3	5.1	4.9	4.7	4.5	6.6	5.1
Retail sales (var. in %)	0.9	-0.2	12.5	3.6	4.0	3.5	3.0	3.3	5.3
Housing starts (thousands of units)	48	54	69	58	47	44	41	47	52
<b>Ontario</b>									
Real GDP (var. in %)	2.1	-5.1	4.6	4.4	2.5	2.0	1.7	0.9	3.0
Total inflation rate (var. in %)	1.9	0.7	3.3	2.9	2.3	2.0	2.0	1.7	2.5
Employment (var. in %)	2.8	-4.8	4.8	4.1	1.7	1.4	1.1	0.5	2.6
Employment (thousands)	204	-355	334	301	130	109	87	35	192
Unemployment rate	5.6	9.6	8.1	6.5	6.2	5.3	4.8	6.7	6.2
Retail sales (var. in %)	2.3	-3.5	8.2	7.0	4.0	3.5	3.0	3.6	5.1
Housing starts (thousands of units)	69	81	101	86	82	80	78	77	85

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