ECONOMIC & FINANCIAL OUTLOOK

The War in Ukraine Will Have Worldwide Repercussions

HIGHLIGHTS

- The war in Ukraine will have consequences for global economic growth. It is generating uncertainty, particularly in financial markets, pushing up prices for energy and commodities, and introducing new constraints on supply chains, which are all factors that will hurt the economic situation.
- Forecasts for oil prices have been upgraded. The increase in oil prices is, among other things, triggering a large jump in gasoline prices that is sapping household income and exacerbating the inflation problems many economies are already struggling with.
- It is in Europe that the fallout from the war in Ukraine will be felt the most strongly. Oil and natural gas prices have already risen substantially and could have a big impact on consumers' wallets and business costs. Our baseline scenario does not call for shipments of Russian oil and natural gas to the West to be halted entirely. If that were to happen, we could easily picture a recession in the euro zone, given that many countries, such as Germany, are currently dependent on these fuels.
- In the United States, slower growth in business inventories over the winter, a decrease in net exports and the impacts of the Omicron wave on consumption should cause real GDP to be almost flat in the first quarter of 2022. Added to that are the impacts of the war in Ukraine. Because of these factors, U.S. annual real GDP growth is being downgraded for 2022.
- In Canada, the direct fallout from the war in Ukraine and economic sanctions most industrialized countries have imposed on Russia will nonetheless be fairly limited. The indirect impacts arising from the additional upside pressures on prices will be more perceptible. However, Canada's economy still has several positive factors it can rely on in the next few quarters.
- The Bank of Canada (BoC) will hike at each of its next four fixed announcement dates, and the Federal Reserve (Fed) will move rates up in 25bp increments at each of its next six meetings. Our forecasts see the BoC's policy rate peaking at a lower level than that of the Fed.
- Despite the recent strength in real GDP and employment, several factors will disrupt Quebec's economy between now and summer. Like elsewhere, inflation will accelerate further due to pressures tied to the current geopolitical situation. This should shake consumer confidence, thus impacting consumer spending. Exports will also slow due to the loss of momentum in the global economy.
- After showing robust growth in the second half of 2021, Ontario's real GDP should slow in the first half of 2022. The auto industry could be hurt by supply problems aggravated by the temporary blockades at some of Canada's border crossings, as well as the war in Ukraine. The economic sanctions imposed on Russia could have positive spillovers in Western Canada.

CONTENTS

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

RISKS INHERENT TO OUR SCENARIOS

The pandemic hasn't ended yet and could generate further economic fluctuations, particularly as new variants emerge. The Omicron wave is now hitting China, whose zero-COVID policy involving rapid and strict lockdowns could be sorely tested. However, the main risks now stem from the war in Ukraine. A more widespread conflict that involves NATO (North Atlantic Treaty Organization) would have very grave humanitarian and economic consequences. Even without that, the war in Ukraine could further damage the economic situation, particularly through an even stronger surge in energy and commodity prices. Putting a total halt to Russia's oil exports to Western Europe could plunge the region into recession and further weaken the global economy. The war could also further erode household, business and investor confidence, as well as exacerbate supply chain problems and inflation pressures. Risks of more lasting acceleration in price growth are making things hard for central banks. An overly slow withdrawal of stimulative monetary policies or fiscal stimulus that drives demand could spark a much bigger surge in inflation expectations and push bond yields higher. On the other hand, tightening monetary policies too abruptly could also trigger a negative market reaction. A major financial crisis in China could worry international investors. In Canada, the risks of an eventual housing price correction persist, particularly with interest rates expected to rise.

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

	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
IN %		2021	2022f	2023f	2021	2022f	2023f
Advanced economies	**40.0**	**5.1**	**2.9**	**2.1**	**3.1**	**5.3**	**2.1**
United States	15.9	5.7	3.0	2.4	4.7	6.7	2.8
Canada	1.4	4.6	3.5	2.5	3.4	4.8	2.4
Quebec	*0.3*	*6.4*	*2.8*	*2.1*	*3.8*	*4.7*	*2.3*
Ontario	*0.5*	*4.5*	*3.4*	*2.6*	*3.5*	*4.9*	*2.5*
Japan	4.0	1.7	2.3	1.7	-0.2	1.4	0.9
United Kingdom	2.4	7.5	3.4	1.9	2.6	7.2	2.7
Euro zone	12.5	5.3	2.9	1.8	2.6	5.7	1.7
Germany	*3.4*	*2.9*	*2.1*	*1.7*	*3.1*	*5.2*	*2.0*
France	*2.5*	*7.0*	*3.0*	*1.6*	*1.6*	*4.4*	*1.5*
Italy	*2.0*	*6.6*	*3.3*	*1.7*	*1.9*	*5.4*	*1.5*
Other countries	4.2	2.7	1.8	1.3	1.4	2.3	1.1
Australia	*1.0*	*4.7*	*3.8*	*3.0*	*2.9*	*4.3*	*2.3*
Emerging and developing economies	**60.0**	**6.9**	**3.2**	**4.0**	**3.7**	**5.6**	**3.4**
North Asia	25.7	8.2	5.3	5.4	2.4	3.2	3.2
China	*17.5*	*8.1*	*4.7*	*5.1*	*0.9*	*2.0*	*2.4*
India	*7.1*	*8.9*	*7.2*	*6.2*	*5.1*	*5.6*	*5.0*
South Asia	5.3	3.8	4.9	5.0	2.0	3.2	2.9
Latin America	5.9	6.2	1.6	2.2	6.6	5.2	3.8
Mexico	*1.9*	*4.8*	*2.0*	*2.3*	*5.7*	*4.8*	*3.8*
Brazil	*2.4*	*5.0*	*0.2*	*1.9*	*9.0*	*5.9*	*4.1*
Eastern Europe	8.0	6.8	-3.7	0.8	9.1	19.0	5.8
Russia	*3.2*	*4.7*	*-8.0*	*-2.0*	*6.7*	*12.0*	*4.3*
Other countries	15.0	7.0	3.3	3.7	4.9	6.4	4.9
South Africa	*0.6*	*5.0*	*1.3*	*1.7*	*4.6*	*5.4*	*4.4*
World	**100.0**	**6.2**	**3.1**	**3.3**	**3.5**	**5.5**	**2.9**

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

Given that we now expect inflation to run hotter for longer, the Bank of Canada (BoC) and Federal Reserve (Fed) are likely to raise rates faster than previously anticipated. Our base-case outlook projects that the BoC will hike at each of its next four fixed-announcement dates and the Fed will move rates up in 25bp increments at each of its next six meetings. Our forecasts see the BoC's policy rate peaking at a lower level than that of the Fed, given that inflation isn't as much of a problem and household debt levels are more of a constraint in Canada. Therefore, we see US bond yields rising more than those in Canada over the next couple of years. Commodity prices have received a major boost from the war in Ukraine as supply is being questioned. However, some of that move is already reversing, and we see further gradual declines over the course of the year as the global economy reorients. Geopolitical tensions combined with rising COVID-19 infections in some countries is driving equity prices lower. That said, higher commodity prices are supporting some names on the TSX and we expect that other stocks will receive a lift over the remainder of the year should the war remain contained.

TABLE 2
Summary of financial forecasts

	2021		2022				2023			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	0.25	0.25	0.50	1.00	1.50	2.00	2.25	2.50	2.75	2.75
Canada	0.25	0.25	0.50	1.00	1.50	1.50	1.75	2.00	2.00	2.00
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.50	0.75	0.75
United Kingdom	0.10	0.25	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50
Federal bonds										
United States										
2-year	0.26	0.66	2.00	2.25	2.50	2.65	2.70	2.80	2.90	2.95
5-year	0.98	1.25	2.15	2.30	2.55	2.70	2.75	2.85	2.90	2.95
10-year	1.53	1.50	2.20	2.30	2.55	2.70	2.75	2.85	2.90	2.95
30-year	2.09	1.89	2.45	2.50	2.65	2.75	2.85	2.90	3.00	3.05
Canada										
2-year	0.53	0.95	1.90	2.00	2.20	2.30	2.35	2.40	2.45	2.50
5-year	1.11	1.25	2.00	2.10	2.30	2.35	2.40	2.45	2.45	2.50
10-year	1.51	1.42	2.20	2.30	2.40	2.40	2.45	2.50	2.50	2.50
30-year	1.98	1.68	2.35	2.40	2.45	2.50	2.55	2.55	2.55	2.55
Currency market										
Canadian dollar (USD/CAD)	1.27	1.26	1.27	1.26	1.25	1.27	1.27	1.27	1.28	1.29
Canadian dollar (CAD/USD)	0.79	0.79	0.79	0.80	0.80	0.79	0.79	0.79	0.78	0.78
Euro (EUR/USD)	1.16	1.14	1.11	1.12	1.15	1.17	1.19	1.21	1.22	1.23
British pound (GBP/USD)	1.35	1.35	1.32	1.33	1.35	1.38	1.40	1.40	1.41	1.41
Yen (USD/JPY)	111	115	118	118	117	116	115	113	112	111
Stock markets (level and growth)*										
United States – S&P 500	4,766		Target: 4,600 (-3.5%)				Target: 4,850 (+5.4%)			
Canada – S&P/TSX	21,223		Target: 22,000 (+3.7%)				Target: 23,400 (+6.4%)			
Commodities (annual average)										
WTI oil (US$/barrel)	68 (75*)		94 (88*)				79 (75*)			
Gold (US$/ounce)	1,800 (1,800*)		1,895 (1,810*)				1,695 (1,680*)			

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

Overseas

All Eyes Are on the War in Ukraine

FORECASTS
The war in Ukraine will have consequences for global economic growth. It is generating uncertainty, particularly in financial markets, pushing up prices for energy and commodities, and introducing new constraints on supply chains, which are all factors that will hurt the economic situation. Clearly, Europe's economy is the most at risk, and real GDP growth for the euro zone and Eastern Europe has been downgraded substantially. The forecast for 2022's global economic growth is now 3.1%, which should be followed by growth of 3.3% in 2023.

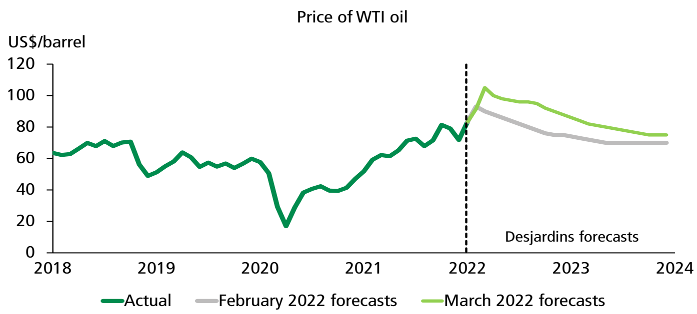
With the COVID-19 pandemic not completely behind us and several economies still struggling to recover from the Omicron variant, the focus is now on the human drama playing out in Ukraine. Russia's invasion of Ukrainian territory, which started February 24, cannot be called a surprise, as tensions had been intensifying for quite some time and the Biden administration had, for weeks, been accusing the Russians of preparing to invade Ukraine. That said, the war's outbreak had a substantial impact on financial markets and prices for energy products and other commodities. It triggered substantial volatility and exacerbated geopolitical and economic uncertainty.

There are, of course, immediate economic consequences, particularly for the countries directly affected by the war. Ukraine's economy will be devastated by what's happening on its territory, and it is currently hard to assess the war's short- and long-term consequences there. As for Russia, the main economic cost will be inflicted by the sanctions imposed by the rest of the world and almost universal reluctance to do business with the country.

Globally, there are several possible vectors between the war in Ukraine and economic activity. The most striking near-term vector is the sharp increase in commodity prices, particularly for oil and natural gas. The forecasts for oil prices have also been upgraded (graph 1). The increase in oil prices is, among other things, triggering a big jump in gasoline prices that is sapping household income and exacerbating the inflation problems many economies are already struggling with (graph 2).

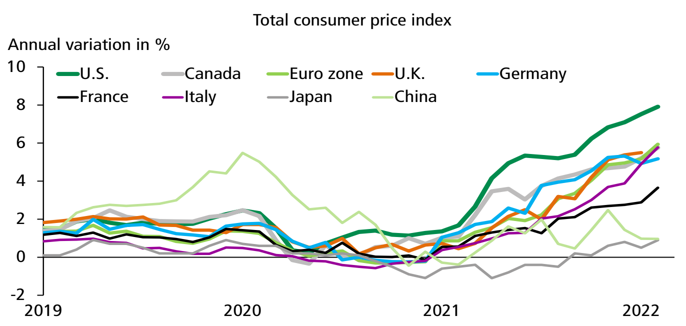
The inflationary effects of the war in Ukraine and sanctions on Russia will also translate into bigger problems in supply chains, problems that were very much with us before the invasion (graph 3 on page 4). Russian and, to a lesser extent, Ukrainian commodities are used to make many goods and services, mainly in Europe, but also in Asia and North America. The agri-food sector is one industry that could be impacted, which will intensify the rise in food costs already being observed.

GRAPH 1
Forecasts for oil prices have been upgraded



WTI: West Texas Intermediate
Sources: Datastream and Desjardins, Economic Studies

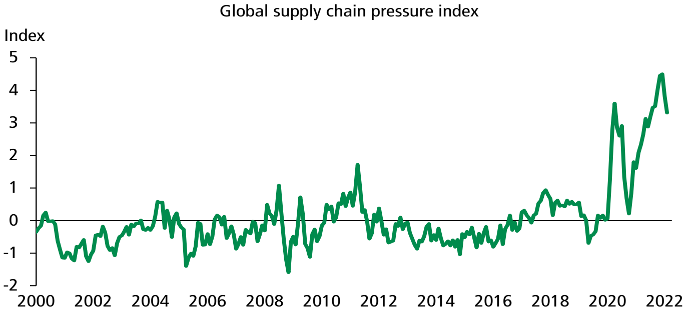
GRAPH 2
Inflation has accelerated almost everywhere



Sources: Datastream and Desjardins, Economic Studies

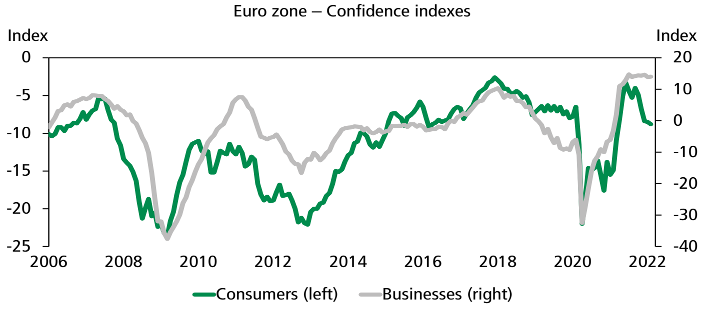
The uncertainty triggered by the war in Ukraine magnified financial market volatility and touched off a fairly widespread drop in stock prices. In addition to direct impacts on portfolios, it could also sour the mood of economic agents. For now, business confidence and PMI indexes are holding up fairly well, but household confidence was already down before the war

GRAPH 3
Supply problems continue



Sources: Federal Reserve Bank of New York and Desjardins, Economic Studies

GRAPH 4
Business confidence was fairly strong before the war in Ukraine, but consumer confidence was already waning



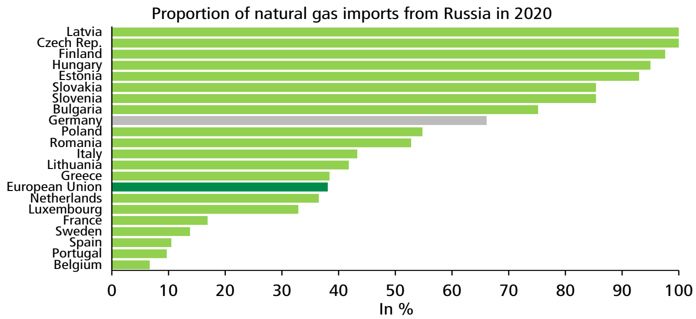
Sources: European Commission and Desjardins, Economic Studies

(graph 4). If confidence tumbles, that would signal erosion in the consumption and investment environments.

It is in Europe that the fallout from the war in Ukraine will be felt the most strongly. Oil and natural gas prices have already risen substantially and could have a big impact on consumers' wallets and business costs. Our baseline scenario does not call for shipments of Russian oil and natural gas to the West to be halted entirely. If that were to happen, we could easily picture a recession in the euro zone, given that many countries, such as Germany, are currently dependent on these energies (graph 5). The effects of the economic and financial sanctions on Russia will also be sharper in Europe. The expected consequences for consumption and private investment are such that economic growth forecasts for the euro zone have been lowered. Euroland's real GDP is forecast to grow 2.9% in 2022, followed by a 1.8% rise in 2023.

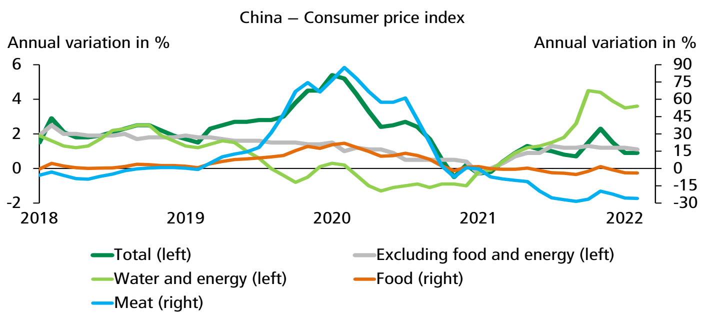
In Asia, the Chinese authorities are maintaining some neutrality with respect to the war in Ukraine. That said, China will also be hurt by the increase in energy and commodity prices. However, if China continues to be supplied by Russia, prices for these direct imports could be lower. Moreover, it is not having the same problems with inflation that's being seen in the principal advanced economies. The annual consumer price increase was just 0.9% in February, with food prices dropping substantially (graph 6). Note also that Chinese households' consumption is sluggish compared with what it was before the pandemic and the real estate market is still having difficulties. COVID-19 also continues to affect China, with many regional lockdowns still in force (which could aggravate global supply chain issues). China's GDP should increase 4.7% in 2022 and 5.1% in 2023.

GRAPH 5
Several European countries are heavily dependent on Russian energy



Sources: Eurostat and Desjardins, Economic Studies

GRAPH 6
Inflation remains very subdued in China



Sources: National Bureau of Statistics of China and Desjardins, Economic Studies

United States

Will U.S. Confidence Hold Up?

FORECASTS

Slower growth in business inventories over the winter, a decrease in net exports and the impacts of the Omicron wave on consumption should cause U.S. real GDP to be almost flat in the first quarter of 2022. Added to that are the impacts of the war in Ukraine, with a steep rise in gasoline prices that could affect confidence as well as lead to new supply chain problems. Because of these factors, U.S. annual real GDP growth is being downgraded for 2022. It should reach 3.0%, followed by a gain of 2.4% in 2023. Inflation should be higher than previously thought, and for a longer period.

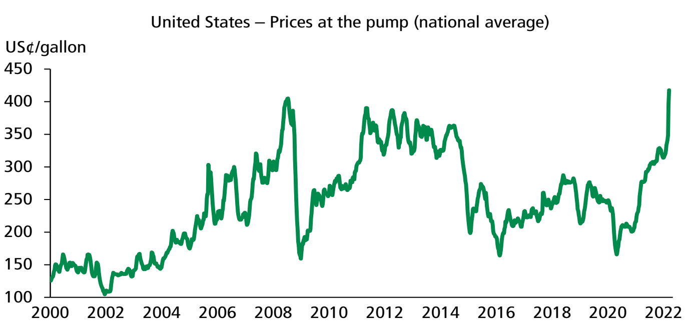
Real GDP growth was particularly strong in the last quarter of 2021, gaining an annualized 7.0% according to the preliminary estimate of the national accounts. The economy benefited from good service consumption growth and, in particular, from a big jump in business inventories after three straight quarters of net destocking. Inventories are not expected to skyrocket as much in the first quarter of this year. The variation in business inventories should therefore make a negative contribution to real GDP growth at the start of 2022. Net exports will also take a bite out of growth. For consumption, the year got off to a good start with a monthly 19.9% jump in the number of new motor vehicles sold and a gain of 5.2% in retail sales excluding motor vehicles and gasoline. Sales growth was weaker in February, however.

We must now also take into account the impacts of the war in Ukraine on U.S. consumption. The main impact is skyrocketing gasoline prices, which set another historic peak (graph 7). The increase will take up a larger portion of households' disposable income and could make them cut back on non-gasoline discretionary spending. The jump in prices at the pump is also aggravating an already tough inflation situation which, in turn, is undermining U.S. consumer confidence. Consumers are reacting in particular to fluctuations in food and energy prices (graph 8). The spikes seen in these two components of the consumer price index (CPI) have already sapped household confidence, and new increases triggered by the war in Ukraine will keep confidence low.

Luckily, the news for U.S. households is not all bad. The job market is on the right track, posting average monthly hires of 583,000 over the last six months. At 3.8% in February, the jobless rate is closing in on its pre-pandemic level, and the participation rate is finally showing signs of improving after posting disappointing growth in 2021. Wages are rising quickly, offsetting some of the increase in prices. To sustain their consumption at a time when disposable income is being pummelled by inflation, U.S. households are saving less and less. The savings rate recently fell below its pre-pandemic average.

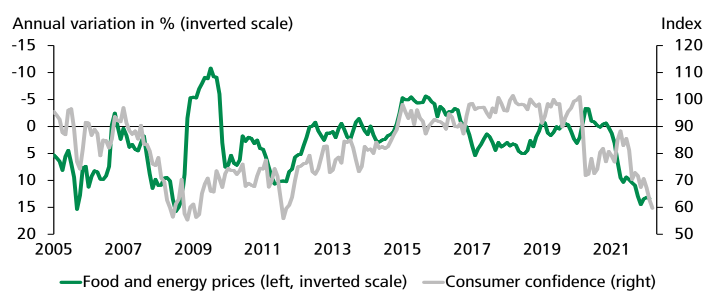
On the business side, the uncertainty generated by the war in Ukraine could hinder investment. However, high oil prices are already starting to buoy investment in that sector. The number of drilling platforms has increased 13.1% since the end of 2021. For manufacturing overall and for other sectors, supply chain problems remain a constraint that is made more complicated by

GRAPH 7
The war in Ukraine has magnified the rise in gasoline prices



Sources: U.S. Energy Information Administration and Desjardins, Economic Studies

GRAPH 8
Food and energy price increases are sapping U.S. household confidence

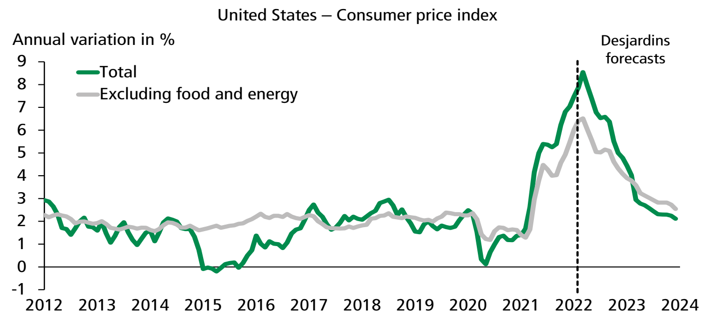


Sources: Bureau of Labor Statistics, University of Michigan and Desjardins, Economic Studies the war in Ukraine and further COVID-19 lockdowns in China. Thanks in particular to the oil sector, we still expect fairly good investment growth in the coming quarters.

The new surge in energy prices, pressures on food prices and ongoing supply problems mean that inflation will remain higher for longer than we forecast previously. The total CPI is expected to climb 6.7% in 2022 and gain 2.8% in 2023 (graph 9). Total inflation will only close in on 2% toward the end of next year. We expect core inflation, which excludes food and energy, to rise 5.3% in 2022 and 3.1% in 2023.

The Federal Reserve has initiated key rate increases in response to the higher inflation and to make sure that inflation expectations do not diverge too much from prior trends. Long-term bond yields are also expected to go up, which will in turn influence mortgage rates. As a result, the U.S. housing market will slow. After rising 9.1% in 2021, residential investment is expected to advance only 3.2% in 2022 and to decline by 0.4% in 2023.

GRAPH 9
Inflation should rise further and stay high in 2022



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

TABLE 3
United States: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2021 Q3	2021 Q4	2022 Q1f	2022 Q2f	2022 Q3f	2022 Q4f	ANNUAL AVERAGE 2020	2021	2022f	2023f
Real GDP (2012 US$)	**2.3**	**7.0**	**0.5**	**1.2**	**3.4**	**3.4**	**-3.4**	**5.7**	**3.0**	**2.4**
Personal consumption expenditures	2.0	3.1	2.2	0.1	2.7	2.5	-3.8	7.9	2.6	1.9
Residential construction	-7.7	1.0	10.7	10.4	3.4	-1.7	6.8	9.1	3.2	-0.4
Business fixed investment	1.7	3.1	11.0	9.1	8.3	8.8	-5.3	7.4	7.4	7.0
Inventory change (US$B)	-66.8	171	60.0	25.0	40.0	65.0	-42.3	-38.1	47.5	47.5
Public expenditures	0.9	-2.6	1.2	1.8	1.8	1.8	2.5	0.5	0.5	1.8
Exports	-5.3	23.6	-1.5	4.0	4.0	5.0	-13.6	4.6	5.0	4.3
Imports	4.7	17.6	6.7	5.0	5.0	5.0	-8.9	14.0	7.8	4.1
Final domestic demand	1.3	2.0	3.5	2.0	3.3	3.0	-2.5	6.6	2.9	2.5
Other indicators										
Nominal GDP	8.4	14.6	6.4	4.6	6.3	5.9	-2.2	10.1	8.1	5.1
Real disposable personal income	-4.1	-5.6	-4.0	-3.0	1.8	2.0	6.2	2.2	-5.0	1.4
Employment according to establishments	4.8	4.9	4.6	2.7	3.1	1.8	-5.8	2.8	3.9	1.6
Unemployment rate (%)	5.1	4.2	3.8	3.8	3.7	3.6	8.1	5.4	3.7	3.5
Housing starts[1] (thousands of units)	1,562	1,654	1,735	1,792	1,750	1,717	1,396	1,601	1,748	1,672
Corporate profits*[2]	19.7	22.5	18.0	5.0	2.0	1.5	-5.2	25.5	6.2	2.4
Personal saving rate (%)	9.5	7.6	5.8	5.2	5.0	4.9	16.4	12.1	5.2	5.0
Total inflation rate*	5.3	6.7	8.0	7.4	6.5	5.1	1.2	4.7	6.7	2.8
Core inflation rate*[3]	4.1	5.0	6.3	5.5	5.1	4.3	1.7	3.6	5.3	3.1
Current account balance (US$B)	-859	-876	-930	-945	-961	-971	-616	-821	-952	-977

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

Canada

Heading for More Subdued Growth in the First Half of 2022

FORECASTS

According to Statistics Canada's preliminary results, real GDP by industry increased 0.2% in January. The outlook is even better for February, when total hours worked jumped 3.6%, auguring a solid increase in production. The lifting of several public health measures should also have positive repercussions for some sectors. The subsequent months could be tougher, however, in particular due to the adverse impacts of the surge in gasoline prices. Canada's real GDP growth should therefore be more subdued in the first half of 2022 after posting outstanding growth in the second half of 2021. Real GDP is forecast to grow 3.5% for 2022 as a whole, followed by an increase of 2.5% in 2023.

Canada's economy has been hit by a lot of turbulence since the start of the year. The Omicron wave struck, requiring new restrictions to be imposed. Demonstrations against public health measures in some cities and blockades at some border crossings disrupted international trade and production in some sectors. After keeping key interest rates at their lower bound for nearly two years, the Bank of Canada started to tighten its monetary policy at the beginning of March. Finally, the war in Ukraine has triggered substantial increases in international prices for energy and several other commodities, something Canada is already feeling.

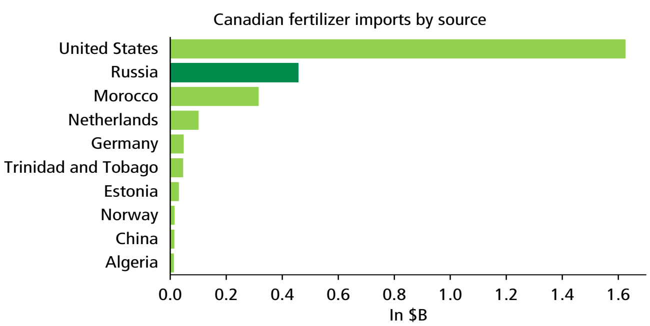
The direct fallout from the war in Ukraine and economic sanctions most industrialized countries have imposed on Russia will nonetheless be fairly limited in Canada. In 2021, Russia accounted for just 0.1% of all Canadian merchandise exports; Ukraine only represented 0.03%. In terms of imports, Russia's weight in all the goods Canada imports was only 0.3%, while Ukraine accounted for 0.04%. However, Russia accounted for nearly 17% of Canada's fertilizer imports in 2021 (graph 10), something the agricultural sector could feel.

That said, the indirect impacts arising from the additional upside pressures on prices will be more perceptible in Canada. Gasoline prices have already shot up in tandem with the rise in global crude prices. The increase in international prices for several other commodities could also have ramifications for the cost of goods here. These inflationary pressures are in addition to those we have already been seeing for nearly a year now. Under the circumstances, we can expect Canadian inflation to rise beyond what was forecast and price growth to remain high for longer than anticipated (graph 11).

Theoretically, Canadian households' high savings rates should give them enough leeway to cope with the price increases without too much difficulty. In practice, however, the worry is that Canadian consumer confidence will deteriorate in the coming months, which could lead to slower spending growth.

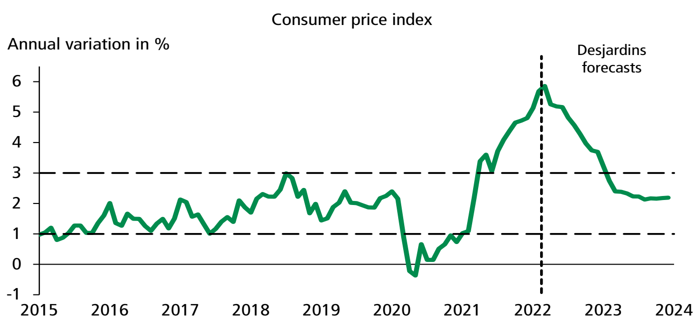
However, Canada's economy still has several positive factors it can rely on in the next few quarters. The lifting of most public health measures will support the ongoing normalization in some sectors. There are also suggestions businesses will substantially increase their investments in 2022. The labour market is also

GRAPH 10
Russia is a major supplier of fertilizer for Canada



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 11
Canadian inflation should remain high for longer than initially forecast



Sources: Statistics Canada and Desjardins, Economic Studies

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2021		2022				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2020	2021	2022f	2023f
Real GDP (2012 $)	**5.5**	**6.7**	**3.2**	**1.8**	**3.6**	**3.1**	**-5.2**	**4.6**	**3.5**	**2.5**
Final consumption expenditure [of which:]	14.0	1.4	4.0	0.5	5.8	4.2	-4.5	5.0	3.9	2.5
Household consumption expenditure	*20.4*	*1.0*	*4.5*	*0.1*	*8.2*	*6.4*	*-6.2*	*5.2*	*5.0*	*4.0*
Governments consumption expenditure	*0.1*	*2.2*	*2.8*	*1.4*	*-0.1*	*-1.4*	*0.0*	*4.9*	*1.2*	*-1.4*
Gross fixed capital formation [of which:]	-12.4	7.8	5.6	0.9	1.5	1.9	-2.8	8.1	3.5	3.5
Residential structures	*-31.0*	*10.2*	*0.8*	*-1.8*	*-0.8*	*-1.2*	*4.3*	*15.4*	*-3.9*	*-1.5*
Non-residential structures	*3.3*	*11.0*	*-7.4*	*0.8*	*2.0*	*3.5*	*-10.0*	*-0.6*	*1.6*	*3.5*
Machinery and equipment	*-1.1*	*4.7*	*27.1*	*0.3*	*2.2*	*4.6*	*-15.4*	*7.1*	*9.1*	*4.7*
Intellectual property products	*-3.0*	*-3.9*	*18.7*	*0.8*	*2.1*	*3.6*	*-3.3*	*0.7*	*4.0*	*3.6*
Governments gross fixed capital formation	*9.4*	*6.2*	*9.8*	*7.9*	*5.4*	*3.7*	*6.2*	*4.5*	*6.5*	*3.4*
Investment in inventories (2012 $B)	-12.1	9.9	1.8	5.2	-0.4	-1.8	-18.7	-1.5	1.2	-1.3
Exports	7.1	13.4	3.7	9.7	8.2	5.8	-9.7	1.4	6.2	5.3
Imports	-1.6	14.4	2.8	8.0	8.5	6.7	-10.8	7.4	6.2	4.3
Final domestic demand	7.0	2.9	4.4	0.6	4.7	3.6	-4.1	5.5	3.3	2.3
Other indicators										
Nominal GDP	10.5	13.7	7.1	9.9	2.8	3.9	-4.5	13.1	8.4	3.5
Real disposable personal income	-5.8	-9.3	-0.2	3.6	3.8	3.3	8.2	0.2	-1.2	3.3
Employment	6.8	6.2	3.3	4.9	2.8	2.2	-5.2	4.8	4.4	2.2
Unemployment rate (%)	7.2	6.3	5.8	5.3	5.1	5.0	9.5	7.5	5.3	4.9
Housing starts[1] (thousands of units)	262	261	237	232	227	222	217	271	229	215
Corporate profits*[2]	13.2	14.6	3.0	15.0	10.0	8.0	-1.9	32.7	9.0	5.0
Personal saving rate (%)	9.0	6.4	5.3	6.1	5.0	4.2	14.5	10.9	5.1	4.3
Total inflation rate*	4.1	4.7	5.6	5.2	4.6	3.8	0.7	3.4	4.8	2.4
Core inflation rate*[3]	3.0	3.2	3.8	3.7	3.4	3.2	1.1	2.3	3.5	2.6
Current account balance ($B)	0.8	-0.8	-2.7	4.0	0.3	-0.8	-39.4	1.6	0.8	-11.1

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

doing very well. The unemployment rate fell to 5.5% in February, below where it was at the start of the pandemic (5.7%) and very close to the historic low of 5.4% recorded in May 2019 (graph 12). This could have a positive impact on consumer confidence and offset some of the negative repercussions from accelerating inflation. Lastly, Canada's economy should benefit from the strong demand for commodities generated by the sanctions imposed on Russia.

GRAPH 12
Canada's unemployment rate drops close to its all-time low

Sources: Statistics Canada and Desjardins, Economic Studies

Quebec

The Economy Will Slow

FORECASTS

Despite the recent strength in real GDP and employment, several factors will disrupt Quebec's economy between now and summer. Like elsewhere, inflation will accelerate further due to pressures tied to the current geopolitical situation. This should shake consumer confidence, thus impacting consumer spending. Exports will also slow due to the loss of momentum in the global economy. After rebounding more than 6% last year, Quebec's real GDP should grow 2.8% this year and 2.1% next year.

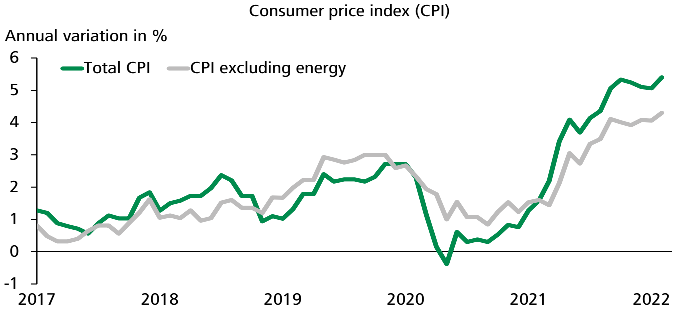
Since last fall, Quebec's inflation rate has been above 5% (graph 13). The annual increase reached 5.4 % in February, with the biggest variations affecting food (6.3%), shelter (4.9%) and energy (21.9%). Several factors will take inflation close to 6.0% in March. Skyrocketing oil prices have pushed gasoline prices up, taking a big bite out of household budgets. Rising merchandise shipping costs, commodity costs and the prices of some agricultural commodities are also intensifying the pressure on inflation. Our forecasts now call for a total inflation rate of 4.7% this year and 2.3% next year.

Given the rising prices, households could cut back on spending, particularly on goods, where the level is much higher than it was before the pandemic. Interest rates are now going up, which should also rein in purchases that require a loan. Because public health restrictions are being lifted, spending on services will be less affected, which could allow services to recover fully by the summer. Total consumer spending is expected to slow following last year's 5.8% rebound. In real terms, it should go up 4.9% in 2022 and 3.1% in 2023. What remains to be seen is how much consumer confidence will be affected by the economic impact from the conflict between Russia and Ukraine.

Despite strong inflation, consumers will be supported by a strong labour market, rising income and a high savings rate. After sagging in December and January, employment rebounded in February, adding 81,500 jobs thanks to the easing of public health measures. This more than offsets the pullbacks of previous months, driving employment to a new peak. Accommodation and food services and the entertainment sector account for over 50% of February's gains, but these two industries are nowhere near fully recovered. Even if the economy were to slow a little in the coming months, the labour shortage will persist, maintaining the pressure on wages. The unemployment rate hit 4.5% last month, below its pre-pandemic level of 4.6% (graph 14).

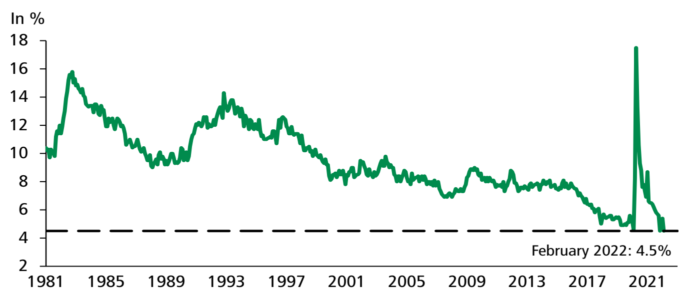
Employment income will keep going up, and targeted assistance from the Quebec government will at least partially offset the rise in the cost of living. Since the start of 2022, the government has already paid out $740M, or $200 to $400 per low- and middle-income household. The March 22 budget should announce further targeted measures. For these reasons, personal after-tax income and inflation should advance about 1% this year and next. Households could also draw on the surplus savings amassed since the start of the pandemic to sustain their consumption (graph 15 on page 11).

GRAPH 13
Inflation has accelerated in Quebec, even with energy prices excluded



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 14
Unemployment rate at historic low in Quebec



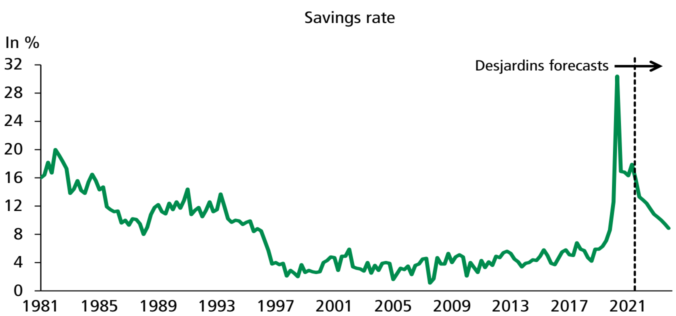
Sources: Statistics Canada and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2019	2020	2021f	2022f	2023f
Real GDP (2012 $)	**2.8**	**-5.5**	**6.4**	**2.8**	**2.1**
Final consumption expenditure [of which:]	2.2	-4.1	5.4	4.0	2.9
Household consumption expenditure	*1.6*	*-6.1*	*5.8*	*4.9*	*3.1*
Governments consumption expenditure	*3.5*	*0.5*	*5.3*	*2.1*	*2.5*
Gross fixed capital formation [of which:]	2.2	-2.9	5.2	-1.1	0.5
Residential structures	*3.7*	*3.1*	*13.3*	*-5.7*	*-3.4*
Non-residential structures	*10.2*	*-8.0*	*-5.7*	*-2.1*	*1.0*
Machinery and equipment	*-1.0*	*-16.0*	*-3.7*	*3.1*	*3.5*
Intellectual property products	*-1.4*	*-2.1*	*3.8*	*-0.3*	*1.5*
Governments gross fixed capital formation	*-2.3*	*-0.3*	*6.3*	*5.0*	*4.1*
Investment in inventories (2012 $B)	4,066	-5,328	373	175	1,250
Exports	2.7	-7.9	5.5	4.7	4.4
Imports	0.5	-8.5	6.8	4.7	5.0
Final domestic demand	2.2	-3.8	5.4	2.9	2.4
Other indicators					
Nominal GDP	4.7	-2.4	11.4	7.2	3.3
Real disposable personal income	3.3	8.5	1.0	0.7	1.0
Weekly earnings	3.5	7.9	2.9	3.5	4.0
Employment	2.0	-4.8	4.1	3.1	1.8
Unemployment rate (%)	5.1	8.9	6.1	4.4	3.8
Personal saving rate (%)	7.0	19.2	15.8	11.9	9.7
Retail sales	0.9	-0.1	12.9	4.5	4.0
Housing starts[1] (thousands of units)	48.0	53.4	67.8	55.0	52.0
Total inflation rate	2.1	0.8	3.8	4.7	2.3

f: forecasts; [1] Annualized basis.
Sources: Statistics Canada, Institut de la statistique du Québec, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

GRAPH 15
The savings rate remains high: Quebecers still have considerable leeway



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

In terms of the housing market, the expected interest rate increases are generating a flood of buyers which should persist until at least spring. The low inventory of properties on the market will keep pressure on prices for now. Still, the increases should ease off as demand slows in response to higher mortgage rates, and prices may even adjust next year. Moreover, housing starts will move away from the cyclical peak reached last year. High prices for materials and the moderating impact of interest rate increases will lessen demand for new properties.

Ontario and Other Provinces

Rising Commodity Prices Should Be Particularly Beneficial to Western Provinces

FORECASTS

After rebounding sharply in 2021, the provinces' real GDPs should post more subdued growth in 2022 and 2023, as most regions will have completed their recoveries. Ontario's economic growth is expected to be in line with the Canadian average. In Western Canada, the higher prices for energy and cereals will yield GDP growth that outstrips the country's average. More subdued growth is anticipated in Atlantic Canada, mainly because the demographics there are less favourable.

ONTARIO

After showing robust growth in the second half of 2021, Ontario's real GDP should slow in the first half of 2022. Firstly, the restrictions rolled out to deal with the Omicron variant likely reined in some activity sectors at the start of the year. Secondly, the blockades at border crossings during demonstrations against public health measures, particularly at the Ambassador Bridge, could hurt several industries. The auto industry will be especially hard hit. Thirdly, there is reason for concern that the economic sanctions imposed on Russia will aggravate global supply problems, which could, among other things, exacerbate the difficulties in motor vehicles and parts production.

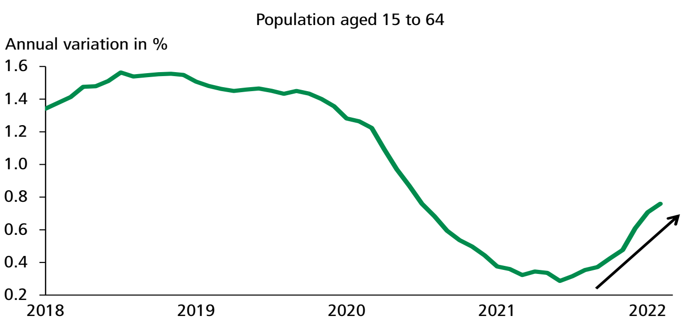
In Ontario, as elsewhere in Canada, there is also a concern that the substantial increase in gasoline prices will sap household confidence, which could slow consumer spending, at least this spring. That said, Ontario's economy will see fairly good positive momentum for the coming quarters. Public health measures will be lifted gradually, giving some sectors a boost. The employment market is also doing very well, with the unemployment rate down sharply and the participation rate already above its pre-pandemic level. Ontario's working age population is also growing faster than the national average thanks to the resumption of international immigration (graph 16). All in all, Ontario's real GDP could rise 3.4% in 2022, followed by a gain of 2.6% in 2023.

WESTERN PROVINCES

The economic sanctions imposed on Russia could have positive spinoffs for Alberta and Saskatchewan. Although the oil and gas sectors' excess production capacity is fairly limited, the surge in energy prices will yield a positive wealth effect. Alberta recently released its 2022 budget, which shows a net improvement in the budget balance that takes it back into the black in 2022–2023, ending a run of seven consecutive deficit years. Over the longer term, if the shift in global energy demand to non-Russian sources lasts, it could eventually be conducive to increasing investment in Canada's oil and gas sector.

In addition to capitalizing on the improved outlook for the energy sector, Saskatchewan could also benefit from its production of potash, which is used to make fertilizers. Note that Saskatchewan alone has about half of the world's potash reserves. Upside pressures on global prices for several cereals could also benefit Saskatchewan as well as Manitoba. After a year marked by drought, the 2022 outlook for the agricultural sector is better for the Prairies.

GRAPH 16
Ontario's working-age population growth is doing better



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 17
There is a huge labour shortage in British Columbia

* Corresponds to the number of job vacancies relative to all jobs.
Sources: Statistics Canada and Desjardins, Economic Studies

TABLE 6

Ontario: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2019	2020	2021f	2022f	2023f
Real GDP (2012 $)	**2.0**	**-5.1**	**4.5**	**3.4**	**2.6**
Final consumption expenditure [of which:]	1.5	-5.8	4.5	4.2	2.2
Household consumption expenditure	*1.6*	*-7.8*	*4.1*	*5.2*	*3.4*
Governments consumption expenditure	*1.0*	*-0.2*	*5.8*	*1.5*	*-1.3*
Gross fixed capital formation [of which:]	-0.7	1.3	11.3	-0.7	1.0
Residential structures	*0.3*	*6.8*	*17.8*	*-6.5*	*-1.8*
Non-residential structures	*1.4*	*-0.1*	*-0.3*	*3.8*	*4.2*
Machinery and equipment	*-0.5*	*-12.6*	*14.7*	*7.6*	*5.3*
Intellectual property products	*-2.4*	*1.0*	*9.1*	*1.3*	*3.4*
Governments gross fixed capital formation	*-3.9*	*3.1*	*6.1*	*3.4*	*-0.9*
Investment in inventories (2012 $B)	8,789	-5,876	1,378	3,139	2,127
Exports	2.3	-7.3	1.4	5.2	5.8
Imports	0.6	-8.9	6.1	4.5	4.0
Final domestic demand	1.0	-4.3	6.0	3.0	1.9
Other indicators					
Nominal GDP	3.7	-2.8	12.0	7.6	4.3
Real disposable personal income	3.2	9.5	1.5	0.3	3.6
Weekly earnings	2.7	7.3	3.6	2.5	3.6
Employment	2.8	-4.8	4.9	5.3	2.3
Unemployment rate (%)	5.6	9.6	8.0	5.4	4.9
Personal saving rate (%)	0,0	15,1	10.5	9.3	9.4
Retail sales	2.3	-3.9	9.2	8.5	5.2
Housing starts[1] (thousands of units)	69.0	80.8	99.6	84.2	77.3
Total inflation rate*	1.9	0.7	3.5	4.9	2.5

f: forecasts; * Annual change; [1] Annualized basis.
Sources: Statistics Canada, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

In British Columbia, economic growth remains on solid ground. In the near term, efforts to rebuild after the recent floods should trigger a spike in investment. What remains to be seen is the extent to which the substantial labour shortage will curb the province's development. British Columbia has the highest job vacancy rate in the country (graph 17 on page 12).

ATLANTIC PROVINCES

Newfoundland and Labrador is grappling with declining oil output, so the comeback in energy prices will not benefit that province as much. The Maritime provinces, which benefited from a fairly positive balance in interprovincial migration and a boom in tourism from Canada during the pandemic, could be impacted as the situation normalizes, which should decrease their economic growth potential.

TABLE 7
Canada: Major economic indicators by province

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2019	2020	2021	2022f	2023f
Real GDP growth – Canada	**1.9**	**-5.2**	**4.6**	**3.5**	**2.5**
Atlantic	2.7	-3.5	2.7	2.5	2.0
Quebec	2.8	-5.5	6.4	2.8	2.1
Ontario	2.0	-5.1	4.5	3.4	2.6
Manitoba	0.4	-4.6	3.0	3.0	2.3
Saskatchewan	-1.1	-4.9	3.0	4.0	2.9
Alberta	-0.1	-7.9	4.8	5.3	3.2
British Columbia	3.1	-3.4	4.4	3.7	2.7
Total inflation rate – Canada	**1.9**	**0.7**	**3.4**	**4.8**	**2.4**
Atlantic	1.5	0.2	3.9	4.8	2.2
Quebec	2.1	0.8	3.8	4.7	2.3
Ontario	1.9	0.7	3.5	4.9	2.5
Manitoba	2.2	0.5	3.3	5.2	2.4
Saskatchewan	1.7	0.6	2.6	4.4	2.1
Alberta	1.8	1.1	3.2	4.6	2.2
British Columbia	2.3	0.8	2.8	4.3	2.1
Employment growth – Canada	**2.2**	**-5.2**	**4.8**	**4.4**	**2.2**
Atlantic	1.7	-4.1	3.8	3.4	1.8
Quebec	2.0	-4.8	4.1	3.1	1.8
Ontario	2.8	-4.8	4.9	5.3	2.3
Manitoba	1.0	-3.7	3.6	3.8	2.0
Saskatchewan	1.9	-4.7	2.6	5.0	2.9
Alberta	0.7	-6.6	5.1	5.5	2.7
British Columbia	3.0	-6.6	6.6	3.5	2.0
Unemployment rate – Canada	**5.7**	**9.5**	**7.5**	**5.3**	**4.9**
Atlantic	8.7	10.8	9.5	7.9	7.5
Quebec	5.1	8.9	6.1	4.4	3.8
Ontario	5.6	9.6	8.0	5.4	4.9
Manitoba	5.3	8.0	6.4	4.6	4.4
Saskatchewan	5.6	8.4	6.5	4.5	4.2
Alberta	7.0	11.4	8.7	6.5	6.0
British Columbia	4.7	8.9	6.5	4.7	4.3
Retail sales growth – Canada	**1.2**	**-1.7**	**11.3**	**7.2**	**4.9**
Atlantic	1.9	-0.2	14.4	4.0	3.7
Quebec	0.9	-0.1	12.9	4.5	4.0
Ontario	2.3	-3.9	9.2	8.5	5.2
Manitoba	0.8	0.1	14.8	6.0	4.0
Saskatchewan	0.3	-1.3	11.8	7.0	5.0
Alberta	-0.8	-2.7	13.1	9.0	6.0
British Columbia	0.6	1.3	12.4	8.0	5.5
Housing starts – Canada (thousands of units)	**208.7**	**216.7**	**271.2**	**229.3**	**214.6**
Atlantic	10.1	10.3	12.1	9.4	8.7
Quebec	48.0	53.4	67.8	55.0	52.0
Ontario	69.0	80.8	99.6	84.2	77.3
Manitoba	6.9	7.3	8.0	8.0	7.5
Saskatchewan	2.4	3.1	4.2	3.5	3.3
Alberta	27.3	24.0	31.9	30.2	29.3
British Columbia	44.9	37.9	47.6	39.0	36.5

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

Medium-Term Issues and Forecasts

Inflation Targets Should Be Reached over the Medium Term

Inflation will be a major economic issue for several more quarters. However, the situation should return to normal by 2024. After the interest rate increases scheduled for 2022 and 2023, the bulk of the monetary tightening phase is likely to be completed in Canada and the United States. This scenario is consistent with more moderate economic growth that rarely exceeds 2% per year over the medium term. The problems with debt and the labour shortage will continue to hamper growth for a long time. Here, productivity gains could help.

This Isn't the Early 80s

The current inflation numbers are closing in on the figures seen in the early 1980s. At that time, central banks raised interest rates sharply to combat inflation, which triggered a recession and a big surge in the unemployment rate. The ensuing economic slump lasted a few years. A repeat of this scenario should be avoided as long as inflation expectations remain well anchored. Inflation dynamics are heavily influenced by workers' and businesses' medium- and long-term expectations for wages and prices. If they are constantly expecting wages and prices to rise sharply, these increases will tend to materialize, at least in part, and inflation will remain higher.

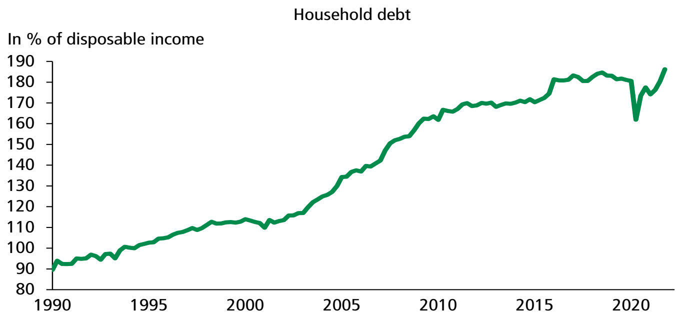
Counting on Central Bank Credibility

In the early 1980s, the central banks had no official inflation target. They therefore had much less credibility in terms of their ability to achieve and maintain a low inflation rate. This is an important facet to consider with respect to interest rate forecasts for the coming years. The central banks' greater credibility means they can maintain good control over medium- and long-term inflation expectations. In the long run, it should take fewer interest rate increases to get inflation back to 2% and keep it there.

Greater Sensitivity to Interest Rates

Another aspect that is very different from the 1980s is greater interest rate sensitivity. It will take fewer interest rate increases to moderate economic growth. The high government and household debt burdens lean in this direction. In Canada, household debt recently hit a new peak (graph 18). The housing sector could also be more sensitive to interest rate hikes. It could be the same for stock markets and other asset classes. Our interest rate forecasts take these factors into account. In the end, rates could possibly go up a little more than anticipated, but there does not seem to be much leeway for avoiding economic and financial difficulties.

GRAPH 18
Canadian household debt hits new peak



Sources: Statistics Canada and Desjardins, Economic Studies

Numerous Supply Constraints Will Disappear

Over the medium term, most of the constraints now hampering supply will have evaporated. The distribution of consumption between goods and services should be nearly back to pre-pandemic norms and more in line with production capacities. Supply chains should be under much less pressure, and merchandise transportation costs will have come down. Prices for some goods which saw heavier inflation over the last two years could even decline.

That said, the labour shortage will be an ongoing problem for businesses for several more years. This will limit economic growth potential. On the other hand, businesses will have more incentive to invest and innovate to boost their productivity. This could partially offset the labour scarcity issue. We could also see structural changes, with workers moving to higher value-added jobs, where it is easier to increase wages without generating too much inflation.

TABLE 8
Major medium-term economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE 2020	2021	2022f	2023f	2024f	2025f	2026f	AVERAGES 2017–2021	2022–2026f
United States									
Real GDP (var. in %)	-3.4	5.7	3.0	2.4	1.9	1.5	1.7	1.9	2.1
Total inflation rate (var. in %)	1.2	4.7	6.7	2.8	2.2	2.1	2.0	2.5	3.1
Unemployment rate	8.1	5.4	3.7	3.5	3.5	3.5	3.4	5.1	3.5
S&P 500 index (var. in %)[1]	16.3	26.9	-3.5	5.4	3.0	3.0	3.0	17.0	2.2
Federal funds rate	0.54	0.25	0.95	2.40	2.75	2.55	2.50	1.21	2.23
Prime rate	3.54	3.25	3.95	5.40	5.75	5.55	5.50	4.21	5.23
Treasury bills – 3-month	0.37	0.05	1.05	2.50	2.75	2.50	2.50	1.09	2.26
Federal bonds – 10-year	0.89	1.43	2.30	2.85	2.90	2.80	2.75	1.94	2.72
– 30-year	1.56	2.05	2.50	2.90	3.00	2.95	2.95	2.44	2.86
WTI oil (US$/barrel)	39	68	94	79	68	64	60	56	73
Gold (US$/ounce)	1,771	1,800	1,895	1,735	1,655	1,610	1,600	1,499	1,699
Canada									
Real GDP (var. in %)	-5.2	4.6	3.5	2.5	1.9	1.6	1.7	1.4	2.2
Total inflation rate (var. in %)	0.7	3.4	4.8	2.4	2.1	2.0	2.0	2.0	2.7
Employment (var. in %)	-5.2	4.8	4.4	2.2	1.4	1.0	1.2	1.1	2.0
Employment (thousands)	-986	866	833	430	279	213	242	191	400
Unemployment rate	9.5	7.5	5.3	4.9	4.9	4.7	4.6	7.0	4.9
Housing starts (thousands of units)	217	271	229	215	210	215	220	226	218
S&P/TSX index (var. in %)[1]	2.2	21.7	3.7	6.4	4.0	3.0	3.0	7.5	4.0
Exchange rate (US$/C$)	0.75	0.80	0.79	0.78	0.77	0.78	0.77	0.77	0.78
Overnight funds	0.56	0.25	0.95	1.90	2.00	2.00	2.00	0.93	1.77
Prime rate	2.75	2.45	3.15	4.10	4.20	4.20	4.20	3.13	3.97
Mortgage rate – 1-year	3.25	2.80	3.40	4.15	4.35	4.35	4.20	3.26	4.09
– 5-year	4.95	4.79	5.45	5.90	5.95	5.90	5.70	5.01	5.78
Treasury bills – 3-month	0.44	0.11	1.00	1.90	2.00	2.00	1.95	0.85	1.77
Federal bonds – 2-year	0.51	0.48	1.90	2.40	2.40	2.25	2.20	1.13	2.23
– 5-year	0.60	0.95	2.05	2.45	2.45	2.40	2.15	1.32	2.30
– 10-year	0.75	1.36	2.20	2.50	2.50	2.40	2.40	1.55	2.40
– 30-year	1.21	1.85	2.35	2.55	2.55	2.55	2.55	1.90	2.51
Yield spreads (Canada—United States)									
Treasury bills – 3-month	0.07	0.06	-0.05	-0.60	-0.75	-0.50	-0.55	-0.24	-0.49
Federal bonds – 10-year	-0.14	-0.07	-0.10	-0.35	-0.40	-0.40	-0.35	-0.39	-0.32
– 30-year	-0.35	-0.20	-0.15	-0.35	-0.45	-0.40	-0.40	-0.54	-0.35
Quebec									
Real GDP (var. in %)	-5.5	6.4	2.8	2.1	1.7	1.4	1.6	1.9	1.9
Total inflation rate (var. in %)	0.8	3.8	4.7	2.3	2.1	1.9	2.0	1.9	2.6
Employment (var. in %)	-4.8	4.1	3.1	1.8	1.3	1.0	1.1	1.1	1.7
Employment (thousands)	-209	169	133	80	58	45	50	24	73
Unemployment rate	8.9	6.1	4.4	3.8	3.6	3.4	3.2	6.3	3.7
Retail sales (var. in %)	-0.1	12.9	4.5	4.0	3.5	3.0	3.0	4.6	3.6
Housing starts (thousands of units)	53	68	55	52	44	41	42	53	47
Ontario									
Real GDP (var. in %)	-5.1	4.5	3.4	2.6	2.0	1.7	1.8	1.5	2.3
Total inflation rate (var. in %)	0.7	3.5	4.9	2.5	2.2	2.1	2.1	2.0	2.8
Employment (var. in %)	-4.8	4.9	5.3	2.3	1.4	1.1	1.2	1.3	2.3
Employment (thousands)	-355	345	392	178	111	89	98	89	173
Unemployment rate	9.6	8.0	5.4	4.9	4.9	4.7	4.6	7.0	4.9
Retail sales (var. in %)	-3.9	9.2	8.5	5.2	4.5	3.7	4.0	4.0	5.2
Housing starts (thousands of units)	81	100	84	77	72	75	78	81	77

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