

ECONOMIC & FINANCIAL OUTLOOK

Interest Rates Are Just Beginning to Bite

HIGHLIGHTS

- ▶ Economic growth has been fragile this year in Europe. Soaring energy prices and other effects of the war in Ukraine will continue to be felt in the second quarter. In China, ongoing COVID-19 lockdowns are beginning to show up in economic indicators. China's real GDP will likely fall in the second quarter before bouncing back. We expect global real GDP to grow by 2.8% in 2022 and 3.2% in 2023.
- ▶ In the United States, inflation began to slow in April, edging down from 8.5% to 8.3%. The recent uptick in oil and gasoline prices is blurring the picture, but we still expect year-over-year price gains to continue their descent. Real GDP was down 1.4% on an annualized basis in the first quarter but should return to growth this spring. Buoyed by the tight labour market, consumption is showing resilience.
- ▶ The Canadian economy continues to surprise on the upside in the first half of 2022, with consumers showing little sign of slowing down. But if recent housing market data is any indication, Bank of Canada interest rate hikes are starting to bite. Additional rate increases to combat sustained high inflation are expected to put persistent downward pressure on housing market activity as well as consumption. This has led to a further downward revision of our real GDP growth forecast for the second half of 2022 and early 2023. Labour market activity is also expected to cool slightly, moderating domestic demand.
- ▶ Quebec's economy started the year strong despite strict public health measures. With a surprise 0.7% bump in real GDP in January, the first quarter should come in stronger than expected. We've therefore upgraded our 2022 economic growth forecast to 3.5%. Unemployment hit a record low 3.9% in April. Wage growth picked up on the month, but was still well below the 6.8% inflation rate. Rising interest rates will hit households harder next year and limit real GDP growth to 1.3%.
- ▶ The weakness in the Canadian housing market forecast is concentrated in Ontario, British Columbia and Atlantic Canada. Low interest rates and the move to remote work during the pandemic led to an unprecedented acceleration in sales and prices, which is now expected to unwind. In contrast, the economies of Alberta and Saskatchewan should outperform on the back of sustained high energy prices. Investment to meet renewed demand for Canadian energy should also provide a tailwind to business investment more broadly.

MAIN CHANGES

- ▶ In the United States, the first quarter decline in real GDP will mean slower growth this year. We're therefore downgrading our 2022 real GDP growth forecast from 3.0% to 2.6%.
- ▶ In Canada, we're now projecting lower real GDP growth for the second half of 2022 and 2023.

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RISKS INHERENT TO OUR SCENARIOS

The pandemic isn't over yet and may roil the economy further, especially if new variants emerge. China's zero-COVID policy of swift, strict lockdowns is being put to the test by the Omicron wave and could mean continued supply chain issues. Weakening Chinese demand, especially in the real estate sector, is also an ongoing concern. Meanwhile in Eastern Europe, a wider conflict between NATO and Russia would have catastrophic humanitarian and economic consequences. Even if it doesn't come to that, the war in Ukraine could inflict additional economic damage by driving up energy, commodity and food prices even higher. If Russia cuts off oil and natural gas supplies to Western Europe, the region could be plunged into recession, further weakening the global economy. The war could also continue to erode consumer, business and investor confidence and exacerbate supply chain issues and inflationary pressures. And the spectre of persistently high inflation could prompt central banks to keep raising interest rates. But if they overtighten, markets could react negatively, leading to an economic slowdown or even a recession. There is also the possibility of a pronounced growth slowdown, but with inflation staying high, reminiscent of stagflation episodes of the 1970s. In Canada, aggressive monetary tightening could trigger a sharp correction in residential real estate prices. We could see stock market losses pile up and the greenback continue to strengthen.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2021	2022f	2023f	2021	2022f	2023f
Advanced economies	40.0	5.1	2.7	1.8	3.1	6.3	2.7
United States	15.9	5.7	2.6	1.9	4.7	7.5	2.9
Canada	1.4	4.6	4.2	1.7	3.4	6.0	2.2
<i>Quebec</i>	0.3	6.2	3.5	1.3	3.8	6.0	2.2
<i>Ontario</i>	0.5	4.3	4.0	1.6	3.5	6.3	2.3
Japan	4.0	1.7	1.3	1.8	-0.2	1.8	1.4
United Kingdom	2.4	7.4	3.8	1.2	2.6	7.9	4.3
Euro zone	12.5	5.4	2.5	1.7	2.6	7.2	2.8
<i>Germany</i>	3.4	2.9	1.7	1.7	3.1	7.0	3.1
<i>France</i>	2.5	7.0	2.8	1.5	1.6	4.9	2.5
<i>Italy</i>	2.0	6.6	2.5	1.7	1.9	6.9	2.5
Other countries	4.2	4.3	2.9	2.2	2.4	4.4	2.5
<i>Australia</i>	1.0	4.7	4.1	3.0	2.9	4.9	3.1
Emerging and developing economies	60.0	7.0	2.9	4.1	3.7	7.7	4.6
North Asia	25.7	8.2	4.7	5.5	2.4	3.9	3.4
<i>China</i>	17.5	8.1	3.8	5.3	0.9	2.6	2.6
<i>India</i>	7.1	8.9	7.3	6.2	5.1	6.3	5.2
South Asia	5.3	3.8	4.5	4.8	2.0	4.1	3.3
Latin America	5.9	6.3	1.5	1.9	6.6	7.4	4.4
<i>Mexico</i>	1.9	4.8	1.5	2.1	5.7	6.9	4.5
<i>Brazil</i>	2.4	5.0	0.4	1.4	9.0	8.3	4.6
Eastern Europe	8.0	6.8	-4.7	0.8	9.1	26.9	10.6
<i>Russia</i>	3.2	4.7	-10.0	-2.0	6.7	22.3	6.0
Other countries	15.0	7.0	3.6	3.9	4.9	8.3	6.7
<i>South Africa</i>	0.6	5.0	1.6	1.9	4.6	5.9	5.0
World	100.0	6.2	2.8	3.2	3.5	7.2	3.9

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

Interest rates across yield curves in North America have continued their ascent as markets come to terms with the need for central banks to act aggressively to contain inflationary pressures. Both US and Canadian 10-year bond yields are hovering around 3%. That said, the market remains overly optimistic about how high the Bank of Canada can take its policy rate without wreaking havoc on the housing market. There are already signs that rate hikes are cooling activity. As a result, after matching the Fed with 50bp increases at each of their next two meetings, Canadian central bankers will likely take a more cautious approach to monetary tightening while the US continues to push rates higher. The sharp rise in North American yields across the curve has been driven by real rates. As is often the case, this has coincided with significant volatility in risky assets such as equities and credit. Central bank quantitative tightening programs will drain liquidity from financial systems, likely further exacerbating the challenges facing risky assets. But Canadian markets are proving somewhat more resilient given their exposure to commodity prices, which are now expected to remain elevated for longer.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2021		2022				2023			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	0.25	0.25	0.50	1.50	2.25	2.75	3.25	3.25	3.25	3.00
Canada	0.25	0.25	0.50	1.50	2.25	2.25	2.25	2.25	2.25	2.00
Euro zone	0.00	0.00	0.00	0.00	0.25	0.50	0.75	0.75	0.75	0.75
United Kingdom	0.10	0.25	0.75	1.25	1.50	1.75	2.00	2.00	2.00	2.00
Federal bonds										
<u>United States</u>										
2-year	0.26	0.66	2.27	2.85	3.00	3.15	3.15	3.10	2.90	2.75
5-year	0.98	1.25	2.42	3.00	3.10	3.15	3.15	3.05	2.85	2.80
10-year	1.53	1.50	2.33	3.00	3.15	3.20	3.15	3.05	2.90	2.85
30-year	2.09	1.89	2.45	3.10	3.20	3.25	3.20	3.10	3.00	2.95
<u>Canada</u>										
2-year	0.53	0.95	2.27	2.85	2.85	2.80	2.75	2.60	2.40	2.10
5-year	1.11	1.25	2.39	2.90	2.90	2.85	2.80	2.75	2.40	2.25
10-year	1.51	1.42	2.40	3.05	3.00	2.95	2.90	2.75	2.50	2.30
30-year	1.98	1.68	2.37	3.00	2.90	2.90	2.90	2.75	2.65	2.45
Currency market										
Canadian dollar (USD/CAD)	1.27	1.26	1.25	1.27	1.28	1.30	1.32	1.32	1.33	1.33
Canadian dollar (CAD/USD)	0.79	0.79	0.80	0.79	0.78	0.77	0.76	0.76	0.75	0.75
Euro (EUR/USD)	1.16	1.14	1.11	1.06	1.08	1.10	1.11	1.12	1.12	1.12
British pound (GBP/USD)	1.35	1.35	1.32	1.24	1.26	1.28	1.29	1.30	1.30	1.29
Yen (USD/JPY)	111	115	122	130	130	128	124	120	115	113
Stock markets (level and growth)*										
United States – S&P 500	4,766			Target: 4,350 (-8.7%)			Target: 4,500 (+3.4%)			
Canada – S&P/TSX	21,223			Target: 21,400 (+0.8%)			Target: 22,000 (+2.8%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	68 (75*)			100 (96*)			89 (85*)			
Gold (US\$/ounce)	1,800 (1,800*)			1,825 (1,750*)			1,720 (1,720*)			

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			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	2020	2021	2022f	2023f
Real GDP (2012 US\$)	2.3	6.9	-1.4	2.8	2.6	2.2	-3.4	5.7	2.6	1.9
Personal consumption expenditures	2.0	2.5	2.7	3.5	2.2	2.1	-3.8	7.9	3.2	1.7
Residential construction	-7.7	2.2	2.1	5.3	-0.8	-3.2	6.8	9.2	-0.2	-3.3
Business fixed investment	1.7	2.9	9.2	8.2	9.6	8.8	-5.3	7.4	6.9	6.3
Inventory change (US\$B)	-66.8	193	158.7	100.0	100.0	75.0	-42.3	-32.6	108.4	68.8
Public expenditures	0.9	-2.6	-2.7	1.5	1.3	1.2	2.5	0.5	-0.7	1.3
Exports	-5.3	22.4	-5.9	5.0	4.0	5.0	-13.6	4.5	3.8	3.8
Imports	4.7	17.9	17.7	4.0	6.0	3.5	-8.9	14.0	10.3	2.6
Final domestic demand	1.3	1.7	2.6	3.8	2.9	2.6	-2.5	6.5	2.8	2.0
Other indicators										
Nominal GDP	8.4	14.5	6.5	7.8	6.1	4.3	-2.2	10.1	8.6	4.5
Employment according to establishments	4.8	4.9	4.7	3.5	3.1	1.8	-5.8	2.8	4.1	1.6
Unemployment rate (%)	5.1	4.2	3.8	3.6	3.6	3.6	8.1	5.4	3.6	3.6
Housing starts ¹ (thousands of units)	1,569	1,679	1,724	1,720	1,673	1,637	1,395	1,605	1,688	1,520
Total inflation rate*	5.3	6.7	8.0	8.1	7.6	6.1	1.2	4.7	7.5	2.9
Core inflation rate* ²	4.1	5.0	6.3	5.9	5.8	4.9	1.7	3.6	5.7	3.1

f: forecasts; * Annual change; ¹ Annualized basis; ² 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			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2020	2021	2022f	2023f
Real GDP (2012 \$)	5.5	6.7	5.5	3.9	2.5	1.9	-5.2	4.6	4.2	1.7
Final consumption expenditure [of which:]	14.0	1.4	6.1	4.0	2.7	1.7	-4.5	5.0	4.6	1.7
Household consumption expenditure	20.4	1.0	7.5	5.0	3.4	2.3	-6.2	5.2	5.8	2.4
Governments consumption expenditure	0.1	2.2	2.7	1.8	0.9	0.3	0.0	4.9	1.5	-0.3
Gross fixed capital formation [of which:]	-12.4	7.8	8.4	-0.6	-1.2	-0.9	-2.8	7.2	1.3	0.1
Residential structures	-31.0	10.2	11.3	-10.4	-10.7	-8.8	4.3	15.4	-4.9	-6.0
Non-residential structures	3.3	11.0	13.0	5.5	5.2	3.6	-10.0	-0.6	8.1	3.4
Machinery and equipment	-1.1	4.7	-0.5	8.9	6.8	7.4	-15.4	7.1	5.0	6.2
Intellectual property products	-3.0	-3.9	0.2	2.0	2.6	2.9	-3.3	0.7	-0.1	2.9
Governments gross fixed capital formation	9.4	6.2	7.2	4.7	3.5	3.0	6.2	4.5	4.9	3.0
Investment in inventories (2012 \$B)	-12.1	9.9	15.4	12.2	13.1	14.4	-18.7	-1.5	13.8	13.9
Exports	7.1	13.4	-8.2	6.7	4.1	3.6	-9.7	1.4	1.9	2.9
Imports	-1.6	14.4	-1.4	1.4	2.1	1.7	-10.8	7.4	2.8	1.5
Final domestic demand	7.0	2.9	6.6	2.9	1.7	1.1	-4.1	5.5	3.8	1.3
Other indicators										
Nominal GDP	10.5	13.7	13.3	12.8	6.0	4.1	-4.5	13.1	10.9	3.8
Employment	6.8	6.2	3.2	4.6	2.2	2.0	-5.2	4.8	4.3	1.8
Unemployment rate (%)	7.2	6.3	5.8	5.2	5.2	5.2	9.5	7.5	5.3	5.5
Housing starts ¹ (thousands of units)	262	261	245	242	216	202	217	271	226	187
Total inflation rate*	4.1	4.7	5.8	6.9	6.2	4.4	0.7	3.4	6.0	2.2
Core inflation rate* ²	3.0	3.2	4.0	4.5	4.1	3.8	1.1	2.3	4.1	2.2

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

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2019	2020	2021	2022f	2023f
Real GDP (2012 \$)	2.8	-5.5	6.2	3.5	1.3
Final consumption expenditure [of which:]	2.2	-4.1	5.6	4.0	2.8
<i>Household consumption expenditure</i>	1.6	-6.1	5.9	5.3	3.1
<i>Governments consumption expenditure</i>	3.5	0.5	5.1	1.3	2.1
Gross fixed capital formation [of which:]	2.2	-2.9	5.6	-1.3	-0.5
<i>Residential structures</i>	3.7	3.1	12.6	-8.4	-5.7
<i>Non-residential structures</i>	10.2	-8.0	-4.1	-1.7	1.0
<i>Machinery and equipment</i>	-1.0	-16.0	15.7	9.5	3.9
<i>Intellectual property products</i>	-1.4	-2.1	1.2	-1.2	1.5
<i>Governments gross fixed capital formation</i>	-2.3	-0.3	-0.4	6.0	3.1
Investment in inventories (2012 \$M)	4,066	-5,328	1,112	300	1,250
Exports	2.7	-7.9	5.3	4.2	3.4
Imports	0.5	-8.5	7.9	3.8	4.9
Final domestic demand	2.2	-3.8	5.6	2.9	2.1
Other indicators					
Nominal GDP	4.7	-2.4	13.1	9.1	3.1
Real disposable personal income	3.3	8.5	2.7	2.0	1.1
Weekly earnings	3.5	7.9	2.9	3.5	4.0
Employment	2.0	-4.8	4.1	3.0	1.3
Unemployment rate (%)	5.1	8.9	6.1	4.1	4.1
Personal saving rate (%)	7.0	19.2	17.4	13.0	10.9
Retail sales	1.3	0.4	14.4	10.2	4.0
Housing starts ¹ (thousands of units)	48.0	53.4	67.8	55.0	50.0
Total inflation rate	2.1	0.8	3.8	6.0	2.2

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)	2019	2020	2021	2022f	2023f
Real GDP (2012 \$)	2.0	-5.1	4.3	4.0	1.6
Final consumption expenditure [of which:]	1.5	-5.8	4.5	4.7	1.6
<i>Household consumption expenditure</i>	1.6	-7.8	4.1	5.9	2.0
<i>Governments consumption expenditure</i>	1.0	-0.2	5.5	1.7	0.5
Gross fixed capital formation [of which:]	-0.7	1.3	10.8	-2.6	0.4
<i>Residential structures</i>	0.3	6.8	16.0	-13.1	-4.9
<i>Non-residential structures</i>	1.4	-0.1	3.9	7.9	1.4
<i>Machinery and equipment</i>	-0.5	-12.6	14.0	6.1	7.3
<i>Intellectual property products</i>	-2.4	1.0	7.2	-0.4	2.9
<i>Governments gross fixed capital formation</i>	-3.9	3.1	5.7	5.3	3.7
Investment in inventories (2012 \$M)	8,789	-5,876	1,905	1,435	-677
Exports	2.3	-7.3	0.8	0.7	2.4
Imports	0.6	-8.9	6.0	2.0	1.3
Final domestic demand	1.0	-4.3	5.8	3.0	1.4
Other indicators					
Nominal GDP	3.7	-2.8	12.0	8.2	3.4
Real disposable personal income	3.2	9.5	0.2	-2.5	3.9
Weekly earnings	3.5	7.9	1.6	4.6	4.4
Employment	2.8	-4.7	4.9	5.2	1.8
Unemployment rate (%)	5.6	9.6	8.0	5.7	6.2
Personal saving rate (%)	0.0	15.1	12.5	5.0	6.6
Retail sales	2.3	-3.9	9.1	9.5	2.6
Housing starts ¹ (thousands of units)	69.0	81.3	101.2	77.7	58.3
Total inflation rate*	1.9	0.6	3.5	6.3	2.3

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 province

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2019	2020	2021	2022f	2023f
Real GDP growth – Canada	1.9	-5.2	4.6	4.2	1.7
Atlantic	2.7	-3.5	4.3	2.8	1.4
Quebec	2.8	-5.5	6.2	3.5	1.3
Ontario	2.0	-5.1	4.3	4.0	1.6
Manitoba	0.4	-4.5	1.2	3.6	1.6
Saskatchewan	-1.1	-5.1	-0.3	5.1	2.2
Alberta	-0.1	-8.0	5.1	6.3	2.4
British Columbia	3.0	-3.4	6.2	3.9	2.0
Total inflation rate – Canada	1.9	0.7	3.4	6.0	2.2
Atlantic	1.5	0.2	3.9	6.2	2.3
Quebec	2.1	0.8	3.8	6.0	2.2
Ontario	1.9	0.6	3.5	6.3	2.3
Manitoba	2.2	0.5	3.2	6.6	2.4
Saskatchewan	1.7	0.6	2.6	5.2	1.9
Alberta	1.8	1.1	3.2	5.9	2.1
British Columbia	2.3	0.8	2.8	5.5	2.1
Employment growth – Canada	2.2	-5.1	4.8	4.3	1.8
Atlantic	1.7	-4.1	3.9	3.6	1.5
Quebec	2.0	-4.8	4.1	3.0	1.3
Ontario	2.8	-4.7	4.9	5.2	1.8
Manitoba	1.1	-3.7	3.5	2.7	1.4
Saskatchewan	1.7	-4.6	2.6	4.2	2.3
Alberta	0.6	-6.5	5.2	4.9	2.5
British Columbia	2.9	-6.5	6.6	3.6	2.0
Unemployment rate – Canada	5.7	9.6	7.4	5.3	5.5
Atlantic	8.7	10.8	9.6	7.6	7.2
Quebec	5.1	8.9	6.1	4.1	4.1
Ontario	5.6	9.6	8.0	5.7	6.2
Manitoba	5.4	8.0	6.4	5.3	5.6
Saskatchewan	5.6	8.4	6.5	4.9	4.6
Alberta	7.0	11.6	8.6	5.9	5.7
British Columbia	4.7	9.0	6.5	5.0	5.0
Retail sales growth – Canada	1.2	-1.7	11.8	8.3	2.8
Atlantic	1.9	0.0	14.1	8.1	2.3
Quebec	1.3	0.4	14.4	10.2	4.0
Ontario	2.3	-3.9	9.1	9.5	2.6
Manitoba	0.6	-0.3	13.3	9.4	2.4
Saskatchewan	1.1	0.3	14.6	9.4	3.1
Alberta	-0.5	-2.1	11.5	9.7	3.4
British Columbia	0.6	1.2	12.6	9.4	3.0
Housing starts – Canada (thousands of units)	208.5	218.4	276.8	226.4	187.4
Atlantic	9.7	10.4	12.4	7.8	5.0
Quebec	48.0	53.4	67.8	55.0	50.0
Ontario	69.0	81.3	101.2	77.7	58.3
Manitoba	6.9	7.3	8.0	6.6	4.8
Saskatchewan	2.4	3.1	4.3	4.4	3.2
Alberta	27.4	24.1	32.1	35.4	31.7
British Columbia	45.1	38.0	47.7	41.3	34.4

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	
	2020	2021	2022f	2023f	2024f	2025f	2026f	2017–2021	2022–2026f
United States									
Real GDP (var. in %)	-3.4	5.7	2.6	1.9	1.7	1.5	1.7	1.9	1.9
Total inflation rate (var. in %)	1.2	4.7	7.5	2.9	2.2	2.1	2.0	2.5	3.3
Unemployment rate	8.1	5.4	3.6	3.6	3.7	3.7	3.7	5.1	3.7
S&P 500 index (var. in %) ¹	16.3	26.9	-8.7	3.4	5.0	3.0	3.0	17.0	1.1
Federal funds rate	0.54	0.25	1.40	3.20	2.65	2.50	2.50	1.21	2.45
Prime rate	3.54	3.25	4.40	6.20	5.65	5.50	5.50	4.21	5.45
Treasury bills – 3-month	0.37	0.05	1.40	3.10	2.60	2.50	2.50	1.09	2.42
Federal bonds – 10-year	0.89	1.43	2.75	3.05	2.70	2.65	2.65	1.94	2.76
– 30-year	1.56	2.05	2.85	3.10	2.90	2.85	2.85	2.44	2.91
WTI oil (US\$/barrel)	39	68	100	89	78	74	72	56	83
Gold (US\$/ounce)	1,771	1,800	1,825	1,720	1,685	1,630	1,600	1,499	1,692
Canada									
Real GDP (var. in %)	-5.2	4.6	4.2	1.7	1.6	1.7	1.7	1.4	2.2
Total inflation rate (var. in %)	0.7	3.4	6.0	2.2	1.8	2.0	2.0	2.0	2.8
Employment (var. in %)	-5.2	4.8	4.3	1.8	1.5	1.6	1.5	1.1	2.1
Employment (thousands)	-986	866	802	353	295	320	310	191	416
Unemployment rate	9.5	7.5	5.3	5.5	5.6	5.5	5.5	7.0	5.5
Housing starts (thousands of units)	217	271	226	187	190	215	220	226	208
S&P/TSX index (var. in %) ¹	2.2	21.7	0.8	2.8	5.0	3.0	3.0	7.5	2.9
Exchange rate (US\$/C\$)	0.75	0.80	0.78	0.76	0.77	0.77	0.77	0.77	0.77
Overnight funds	0.56	0.25	1.40	2.25	2.00	2.00	2.00	0.93	1.93
Prime rate	2.75	2.45	3.60	4.45	4.20	4.20	4.20	3.13	4.13
Mortgage rate – 1-year	3.25	2.80	3.60	4.35	4.20	4.10	4.10	3.26	4.07
– 5-year	4.95	4.79	5.60	6.15	5.70	5.60	5.60	5.01	5.73
Treasury bills – 3-month	0.44	0.11	1.45	2.20	2.00	2.00	1.95	0.85	1.92
Federal bonds – 2-year	0.51	0.48	2.40	2.55	2.00	1.95	1.95	1.13	2.17
– 5-year	0.60	0.95	2.55	2.60	2.15	2.10	2.10	1.32	2.30
– 10-year	0.75	1.36	2.65	2.70	2.25	2.20	2.20	1.55	2.40
– 30-year	1.21	1.85	2.65	2.75	2.40	2.35	2.35	1.90	2.50
<u>Yield spreads (Canada—United States)</u>									
Treasury bills – 3-month	0.07	0.06	0.05	-0.90	-0.60	-0.50	-0.55	-0.24	-0.50
Federal bonds – 10-year	-0.14	-0.07	-0.10	-0.35	-0.45	-0.45	-0.45	-0.39	-0.36
– 30-year	-0.35	-0.20	-0.20	-0.35	-0.50	-0.50	-0.50	-0.54	-0.41
Quebec									
Real GDP (var. in %)	-5.5	6.2	3.5	1.3	1.2	1.4	1.5	1.9	1.8
Total inflation rate (var. in %)	0.8	3.8	6.0	2.2	1.9	2.0	2.0	1.9	2.8
Employment (var. in %)	-4.8	4.1	3.0	1.3	1.3	1.0	1.1	1.1	1.6
Employment (thousands)	-209	169	130	59	60	45	50	24	69
Unemployment rate	8.9	6.1	4.1	4.1	3.9	3.7	3.5	6.3	3.9
Retail sales (var. in %)	0.4	14.4	10.2	4.0	3.5	3.0	3.0	5.1	4.7
Housing starts (thousands of units)	53	68	55	50	44	41	42	53	46
Ontario									
Real GDP (var. in %)	-5.1	4.3	4.0	1.6	1.4	1.6	1.7	1.5	2.1
Total inflation rate (var. in %)	0.6	3.5	6.3	2.3	1.9	2.0	2.1	2.0	2.9
Employment (var. in %)	-4.7	4.9	5.2	1.8	1.4	1.1	1.2	1.3	2.1
Employment (thousands)	-349	343	380	142	111	88	97	89	164
Unemployment rate	9.6	8.0	5.7	6.2	5.7	5.6	5.6	7.0	5.7
Retail sales (var. in %)	-3.9	9.1	9.5	2.6	3.5	3.7	4.0	4.0	4.7
Housing starts (thousands of units)	81	101	78	58	72	75	78	81	72

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

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