

# ECONOMIC & FINANCIAL OUTLOOK

## Economies Remain Resilient in the Face of Higher Interest Rates

### HIGHLIGHTS

- ▶ Most major economies slowed in the last quarter of 2022. That said, China, the eurozone, France and the United Kingdom haven't seen the kinds of real GDP declines once feared. In Europe, improving economic indicators and lower natural gas prices point to a less severe economic contraction than initially expected this year. But that could prompt the European Central Bank and Bank of England to continue raising interest rates. In China, some indicators suggest the economy is already on the road to recovery.
- ▶ US real GDP grew an annualized 2.9% in the fourth quarter of 2022, helped in large part by a surge in business inventories. As that contribution fades, the US economy is expected to grow at a much slower pace or even contract over the next few quarters. But based on the January rebounds in hiring, hours worked, retail sales and the ISM Services index, we could see another real GDP gain in the first quarter. US inflation should continue to slow, however.
- ▶ Since we published our last economic outlook for Canada, data have continued to surprise on the upside. We've revised up our near-term forecast for real GDP and the labour market as a result. However, this is likely to prompt the Bank of Canada to stay on the sidelines a little longer, thereby prolonging the pain in interest-rate-sensitive sectors. This will be offset to some extent by the strength of the labour market, high excess personal savings and elevated levels of immigration.
- ▶ In Quebec, most economic indicators have deteriorated significantly. The recession could have already begun, with real GDP contracting an annualized 1.4% in the third quarter of 2022. Despite rallying in October, Quebec's economy remains fragile, and the Q4 GDP reading is expected to be very weak. The labour market remains overheated and wage growth remains strong. The first half of 2023 will still be quite difficult for Quebec's economy.
- ▶ The data still suggest provincial economic prospects divided according to housing market exposure and commodity production, though Ontario's hiring spree in January adds to momentum beginning 2023. See [Desjardins Provincial Outlook: Housing versus Commodities](#) for details of our latest forecasts.

### MAIN CHANGES

- ▶ Some economic indicators have improved, foreshadowing better-than-expected real GDP prints in the short term. We've upgraded our 2023 GDP forecasts accordingly.

### CONTENTS

Highlights and Main Changes.....	1	Risks Inherent in Our Scenarios.....	2	Financial Forecasts.....	3
----------------------------------	---	--------------------------------------	---	--------------------------	---

Jimmy Jean, Vice-President, Chief Economist and Strategist • Royce Mendes, Managing Director and Head of Macro Strategy  
 Randall Bartlett, Senior Director of Canadian Economics • H el ene B egin, Principal Economist • Marc Desormeaux, Principal Economist  
 Benoit P. Durocher, Principal Economist • Tiago Figueiredo, Associate – Macro Strategy • Francis G en ereux, Principal Economist  
 • Hendrix Vachon, Principal Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](https://desjardins.com/economics)

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.  
 IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright   2023, Desjardins Group. All rights reserved.

## RISKS INHERENT IN OUR SCENARIOS

Inflation is showing signs of slowing, but remains high around the world. This could prompt many central banks to continue raising interest rates or keep them higher for longer. Further tightening remains the biggest risk to the global economy. While some recent data has been more positive, the economic slowdown may still be worse than expected. Consumption and investment could contract more severely, especially if interest rate hikes continue for longer than anticipated. If that happens, Canada could see weaker exports and worsening terms of trade. Higher unemployment and interest rates could also mean a bigger housing market correction in Canada. So far, Europe's economy has avoided a deepening energy crisis, but it will continue to struggle to meet its energy needs and will remain vulnerable to price fluctuations due to the war in Ukraine. Although prices for oil, natural gas, some food and other commodities have moderated, the war continues to inject significant uncertainty into our forecast. The ongoing diplomatic tensions between the US and China could lead to further trade restrictions. In terms of financial stability, a deeper economic downturn could mean more bankruptcies and sharper corrections in risk assets. Investors may demand higher risk premia and be more critical of government decisions that could worsen public finances or undermine central banks. And we'll be keeping an eye on US debt ceiling negotiations, which promise to be fraught. They could also drive volatility in bond yields and the US dollar. But if the global economy deteriorates sharply, risks are tilted more to a rapid appreciation of the US dollar, especially against the currencies of countries considered more economically and financially fragile. That could leave some economies even more vulnerable.

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

%	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2022f	2023f	2024f	2022f	2023f	2024f
<b>Advanced economies</b>	<b>38.7</b>	<b>2.6</b>	<b>0.3</b>	<b>1.7</b>	<b>7.2</b>	<b>4.3</b>	<b>2.3</b>
United States	15.7	2.1	0.7	1.8	8.0	3.5	2.4
Canada	1.4	3.6	0.7	1.0	6.8	3.5	2.0
<i>Quebec</i>	0.3	2.7	-0.2	1.2	6.7	3.4	2.0
<i>Ontario</i>	0.5	3.7	0.0	1.0	6.8	3.3	1.9
Japan	3.7	1.0	0.5	1.4	2.5	1.9	1.2
United Kingdom	2.3	4.0	-1.0	1.1	9.1	7.2	3.1
Eurozone	11.9	3.5	0.1	1.4	8.4	5.9	2.4
<i>Germany</i>	3.3	1.9	-0.6	1.3	7.9	6.4	2.9
<i>France</i>	2.3	2.6	-0.3	1.5	5.2	4.8	2.2
<i>Italy</i>	1.8	3.9	-0.2	1.2	8.2	6.6	2.2
Other countries	4.2	2.9	0.8	2.1	5.8	4.1	2.1
<i>Australia</i>	1.0	3.9	1.2	2.0	6.6	5.0	2.8
<b>Emerging and developing economies</b>	<b>61.3</b>	<b>3.4</b>	<b>3.4</b>	<b>4.2</b>	<b>8.4</b>	<b>6.6</b>	<b>4.4</b>
North Asia	26.8	4.0	5.1	5.2	4.1	3.8	3.2
<i>China</i>	18.6	3.0	5.2	5.0	2.0	2.5	2.3
<i>India</i>	7.0	7.0	5.3	6.0	6.7	5.0	4.8
South Asia	5.1	5.5	3.7	4.8	4.8	3.9	2.7
Latin America	5.8	3.4	0.7	2.2	9.3	5.1	3.8
<i>Mexico</i>	1.8	3.0	0.8	2.0	7.9	4.8	3.8
<i>Brazil</i>	2.3	2.9	0.7	2.0	9.5	5.1	4.0
Eastern Europe	8.1	-0.5	0.2	2.6	27.0	16.6	10.2
<i>Russia</i>	3.3	-2.5	-2.0	1.4	13.8	6.0	4.7
Other countries	15.5	3.3	2.8	3.8	10.4	10.7	7.1
<i>South Africa</i>	0.6	1.8	1.3	2.3	7.0	5.6	4.5
<b>World</b>	<b>100.0</b>	<b>3.1</b>	<b>2.2</b>	<b>3.3</b>	<b>7.9</b>	<b>5.7</b>	<b>3.6</b>

f: forecasts; PPP: Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; \* 2021.

Sources: World Bank, Consensus Forecasts and Desjardins Economic Studies

## FINANCIAL FORECASTS

After remaining fairly range-bound in the first month of the year, sovereign yields in North America have moved higher since the last update. A faster-than-expected reopening of the Chinese economy coupled with a European economy that's skirted a recession have helped push bond yields higher. But the major driver of North American rates has been the strength in both Canadian and US labour markets. So while our base case continues to assume that the Bank of Canada remains on hold for the foreseeable future, there is a significant risk that central bankers are forced to raise rates further. Given the better start to the year for the economy, we have pushed back the timing of the first rate cut in Canada. In the US, we continue to see the Federal Reserve raising the policy rate into the second quarter of the year, and there is a risk of further tightening if inflation doesn't cooperate. Canadian bond yields continue to reflect the higher interest rate sensitivity of the Canadian economy, trading 40 to 70 bps below US equivalents. North American yield curves remain extremely inverted, although we expect them to steepen as rate cuts near. Risk assets continued their ascent over the period. However, they are likely to come under pressure from the eventual slowing in economic activity. The unwinding of central bank balance sheets continues to drain liquidity from the financial system, which could add further strain on risk assets. The Canadian dollar has benefitted from broad US dollar weakness, although the expected deterioration in risk sentiment and fall in commodity prices are projected to weigh on the CAD.

**TABLE 2**  
Summary of financial forecasts

END OF PERIOD IN % (UNLESS OTHERWISE INDICATED)	2022		2023				2024			
	Q3	Q4	Q1f	Q2f	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Key interest rate</b>										
United States	3.25	4.50	5.00	5.25	5.25	5.25	4.50	3.50	2.75	2.50
Canada	3.25	4.25	4.50	4.50	4.50	4.25	3.50	3.00	2.50	2.25
Eurozone	1.25	2.50	3.50	4.00	4.00	4.00	3.50	3.00	2.50	2.00
United Kingdom	2.25	3.50	4.25	4.25	4.25	4.25	3.75	3.25	2.75	2.25
<b>Federal bonds</b>										
<u>United States</u>										
2-year	4.26	4.54	4.40	4.10	3.80	3.50	3.05	2.85	2.50	2.50
5-year	4.08	3.97	3.85	3.70	3.50	3.15	2.70	2.60	2.60	2.60
10-year	3.80	3.83	3.70	3.50	3.25	3.10	2.70	2.65	2.65	2.65
30-year	3.76	3.94	3.75	3.55	3.25	3.05	2.85	2.85	2.85	2.85
<u>Canada</u>										
2-year	3.79	4.06	4.00	3.55	3.30	3.00	2.65	2.50	2.25	2.20
5-year	3.32	3.41	3.25	2.95	2.80	2.75	2.45	2.30	2.30	2.25
10-year	3.16	3.30	3.10	2.80	2.65	2.60	2.45	2.40	2.35	2.35
30-year	3.09	3.28	3.10	2.85	2.65	2.60	2.45	2.40	2.35	2.35
<b>Currency market</b>										
Canadian dollar (USD/CAD)	1.38	1.36	1.36	1.39	1.39	1.35	1.32	1.28	1.25	1.27
Canadian dollar (CAD/USD)	0.72	0.74	0.74	0.72	0.72	0.74	0.76	0.78	0.80	0.79
Euro (EUR/USD)	0.98	1.07	1.06	1.05	1.06	1.09	1.11	1.13	1.14	1.15
British pound (GBP/USD)	1.12	1.20	1.20	1.18	1.20	1.23	1.25	1.28	1.30	1.32
Yen (USD/JPY)	145	131	128	125	123	118	115	113	111	110
<b>Stock markets (level and growth)*</b>										
United States – S&P 500	3,840		Target: 3,750 (-2.3%)				Target: 4,000 (+6.7%)			
Canada – S&P/TSX	19,385		Target: 19,250 (-0.7%)				Target: 20,600 (+7.0%)			
<b>Commodities (annual average)</b>										
WTI oil (US\$/barrel)	95 (80*)		77 (80*)				85 (83*)			
Gold (US\$/ounce)	1,800 (1,815*)		1,810 (1,730*)				1,645 (1,600*)			

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

**TABLE 3**  
**United States: Major economic indicators**

QUARTERLY ANNUALIZED % CHANGE (UNLESS OTHERWISE INDICATED)	2022		2023				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Real GDP (2012 US\$)	3.2	2.9	0.4	-1.3	-1.2	0.9	5.9	2.1	0.7	1.8
Personal consumption expenditures	2.3	2.1	1.9	-1.1	-0.9	0.6	8.3	2.8	1.0	1.4
Residential construction	-27.1	-26.7	-8.8	-6.9	-3.9	-0.3	10.7	-10.7	-14.3	1.4
Business fixed investment	6.2	0.7	1.4	-1.8	-1.5	1.7	6.4	3.6	0.8	3.7
Inventory change (US\$B)	38.7	129.9	50.0	0.0	-50.0	-50.0	-19.4	123.3	-12.5	6.2
Public expenditures	3.7	3.7	1.9	1.5	1.5	1.5	0.6	-0.6	2.1	1.2
Exports	14.6	-1.3	4.0	-1.5	-1.5	2.0	6.1	7.2	2.9	1.9
Imports	-7.3	-4.6	1.0	-4.5	-3.0	1.5	14.1	8.1	-2.6	1.3
Final domestic demand	1.5	0.8	1.3	-1.0	-0.7	0.9	6.7	1.7	0.4	1.7
<b>Other indicators</b>										
Nominal GDP	7.7	6.5	3.2	0.2	1.4	3.1	10.7	9.2	3.9	4.1
Employment <sup>1</sup>	3.4	2.5	2.4	-0.1	-1.3	-0.8	2.9	4.3	1.4	0.1
Unemployment rate (%)	3.6	3.6	3.5	4.0	4.5	5.0	5.4	3.7	4.3	5.1
Housing starts <sup>2</sup> (thousands of units)	1,450	1,403	1,332	1,285	1,275	1,280	1,605	1,555	1,293	1,342
Total inflation rate*	8.3	7.1	5.8	3.4	2.5	2.5	4.7	8.0	3.5	2.4
Core inflation rate* <sup>3</sup>	6.3	6.0	5.5	4.4	3.4	2.9	3.6	6.1	4.0	2.4

f: forecasts; \* Annual change; <sup>1</sup> According to the establishment survey; <sup>2</sup> Annualized basis; <sup>3</sup> Excluding food and energy.  
Sources: Datastream and Desjardins Economic Studies

**TABLE 4**  
**Canada: Major economic indicators**

QUARTERLY ANNUALIZED % CHANGE (UNLESS OTHERWISE INDICATED)	2022		2023				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022f	2023f	2024f
<b>Real GDP</b> (2012 \$)	<b>2.9</b>	<b>1.7</b>	<b>1.0</b>	<b>-1.2</b>	<b>-1.9</b>	<b>0.0</b>	<b>5.0</b>	<b>3.6</b>	<b>0.7</b>	<b>1.0</b>
Final consumption expenditure [of which:]	0.8	3.3	1.8	1.2	0.8	1.2	5.4	3.9	1.9	1.6
Household consumption expenditure	-1.0	3.1	1.3	0.7	0.2	0.9	5.1	4.9	1.6	1.5
Government consumption expenditure	5.3	3.8	3.2	2.6	2.1	1.8	6.4	1.6	2.9	1.8
Gross fixed capital formation [of which:]	-4.8	-5.0	-2.7	-3.3	-3.4	-0.3	7.4	-1.0	-3.9	2.0
Residential structures	-15.4	-9.1	-7.9	-5.0	-4.1	-1.3	14.9	-10.6	-9.5	2.9
Non-residential structures	11.7	-2.0	-2.1	-3.8	-4.1	-2.0	0.8	11.2	-0.1	0.9
Machinery and equipment	-7.6	-12.2	1.4	-8.5	-10.8	1.0	9.9	7.0	-4.7	0.4
Intellectual property products	1.0	2.1	2.6	2.0	2.0	2.0	4.0	0.1	2.4	2.1
Government gross fixed capital formation	-4.0	2.9	2.5	2.1	2.3	2.4	0.9	0.2	1.2	2.4
Investment in inventories (2012 \$B)	56.4	38.6	29.5	23.8	19.0	15.3	-4.1	42.4	21.9	11.2
Exports	8.6	0.7	2.1	-3.0	-2.1	1.1	1.4	2.5	1.4	1.7
Imports	-1.7	-11.0	-3.7	-1.9	0.6	1.8	7.8	7.4	-1.9	2.4
Final domestic demand	-0.6	1.3	0.7	0.1	-0.2	0.8	5.8	2.7	0.6	1.7
<b>Other indicators</b>										
Nominal GDP	-2.7	0.1	-0.3	-0.9	0.4	2.6	13.6	11.3	0.6	3.3
Employment	-1.3	2.2	4.2	-1.6	-2.1	0.1	5.0	4.0	1.1	0.9
Unemployment rate (%)	5.1	5.1	5.0	5.7	6.6	6.9	7.5	5.3	6.1	6.6
Housing starts <sup>1</sup> (thousands of units)	281	259	221	210	204	201	271	262	209	215
Total inflation rate*	7.2	6.7	5.6	3.2	2.9	2.4	3.4	6.8	3.5	2.0
Core inflation rate* <sup>2</sup>	5.4	5.3	5.0	3.8	3.1	2.7	2.3	5.0	3.6	2.1

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 % CHANGE (UNLESS OTHERWISE INDICATED)	2020	2021	2022f	2023f	2024f
<b>Real GDP (2012 \$)</b>	<b>-5.0</b>	<b>6.0</b>	<b>2.7</b>	<b>-0.2</b>	<b>1.2</b>
Final consumption expenditure [of which:]	-3.3	5.9	3.6	1.9	2.1
<i>Household consumption expenditure</i>	-5.7	5.4	4.9	2.2	2.1
<i>Government consumption expenditure</i>	2.0	7.3	0.8	1.5	2.0
Gross fixed capital formation [of which:]	-1.0	7.2	-1.7	-5.4	-1.0
<i>Residential structures</i>	2.8	12.9	-10.4	-12.9	0.0
<i>Non-residential structures</i>	0.6	-1.5	3.3	-4.1	-0.9
<i>Machinery and equipment</i>	-15.1	20.3	8.7	-0.1	0.3
<i>Intellectual property products</i>	0.1	7.1	-2.3	-0.7	1.9
<i>Government gross fixed capital formation</i>	0.5	-3.5	4.7	1.4	2.0
Investment in inventories (2012 \$M)	-6,550	-431	7,714	8,000	5,000
Exports	-7.8	2.9	2.1	-0.4	1.6
Imports	-7.9	6.8	5.9	1.4	2.1
Final domestic demand	-2.9	6.2	2.4	0.4	1.4
<b>Other indicators</b>					
Nominal GDP	-1.9	11.8	9.8	2.6	3.4
Real disposable personal income	7.2	1.9	0.7	0.1	1.6
Weekly earnings	7.9	2.9	4.1	4.1	3.7
Employment	-4.8	4.1	2.6	2.1	1.0
Unemployment rate (%)	8.9	6.1	4.3	4.6	4.3
Personal savings rate (%)	17.4	14.6	10.1	5.7	4.4
Retail sales	0.4	14.4	8.6	4.3	3.5
Housing starts <sup>1</sup> (thousands of units)	54.1	67.8	57.1	44.0	49.0
Total inflation rate	0.8	3.8	6.7	3.4	2.0

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 % CHANGE (UNLESS OTHERWISE INDICATED)	2020	2021	2022f	2023f	2024f
<b>Real GDP (2012 \$)</b>	<b>-4.7</b>	<b>5.2</b>	<b>3.7</b>	<b>0.0</b>	<b>1.0</b>
Final consumption expenditure [of which:]	-5.7	5.0	5.0	1.2	1.8
<i>Household consumption expenditure</i>	-7.9	4.4	6.2	0.6	1.8
<i>Government consumption expenditure</i>	0.2	1.3	2.0	2.8	1.8
Gross fixed capital formation [of which:]	3.4	8.8	-5.8	-5.2	2.3
<i>Residential structures</i>	8.9	14.3	-15.6	-13.7	2.2
<i>Non-residential structures</i>	0.8	2.3	9.7	1.0	1.8
<i>Machinery and equipment</i>	-11.7	12.8	3.1	-2.7	3.0
<i>Intellectual property products</i>	1.4	3.7	-1.0	1.7	2.1
<i>Government gross fixed capital formation</i>	6.9	6.8	-2.8	0.9	2.4
Investment in inventories (2012 \$M)	-7,749	3,462	15,739	13,608	10,750
Exports	-7.7	1.3	5.4	0.3	1.3
Imports	-8.3	5.7	5.0	-0.2	2.3
Final domestic demand	-3.7	5.9	2.4	-0.2	1.9
<b>Other indicators</b>					
Nominal GDP	-2.9	10.3	9.4	1.6	2.9
Real disposable personal income	8.8	1.3	0.2	-1.3	1.8
Weekly earnings	8.0	1.6	5.0	5.3	2.6
Employment	-4.7	4.9	4.2	0.2	1.0
Unemployment rate (%)	9.5	8.0	5.7	7.0	7.2
Personal savings rate (%)	15.0	12.4	7.1	5.1	5.0
Retail sales	-3.5	9.3	11.4	1.8	2.0
Housing starts <sup>1</sup> (thousands of units)	81.3	99.6	96.1	65.0	58.0
Total inflation rate**	0.6	3.5	6.8	3.3	1.9

\* : Updated as of January 2023.

f: forecasts; \*\* Annual change; <sup>1</sup> Annualized basis.

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins Economic Studies



**TABLE 7**  
**Major medium-term economic and financial indicators**

% (UNLESS OTHERWISE INDICATED)	ANNUAL AVERAGE							AVERAGES	
	2021	2022	2023f	2024f	2025f	2026f	2027f	2017-2021	2022-2027f
<b>United States</b>									
Real GDP (% change)	5.9	2.1	0.7	1.8	3.0	2.4	2.1	2.1	2.0
Total inflation rate (% change)	4.7	8.0	3.5	2.4	2.2	2.0	2.0	2.5	3.4
Unemployment rate	5.4	3.7	4.3	5.1	4.7	4.3	4.2	5.1	4.4
S&P 500 index (% change) <sup>1</sup>	26.9	-19.4	-2.3	6.7	6.0	4.0	4.0	9.3	-0.2
Federal funds rate	0.25	1.86	5.05	3.50	2.50	2.50	2.50	1.37	2.99
Prime rate	3.25	4.86	8.05	6.50	5.50	5.50	5.50	4.37	5.99
Treasury bills – 3-month	0.05	2.09	4.85	3.10	2.35	2.35	2.35	1.32	2.85
Federal bonds – 10-year	1.43	2.96	3.40	2.70	2.65	2.65	2.65	2.07	2.83
– 30-year	2.05	3.12	3.45	2.90	2.85	2.85	2.85	2.48	3.00
WTI oil (US\$/barrel)	68	95	77	85	82	80	78	65	83
Gold (US\$/ounce)	1,800	1,803	1,810	1,645	1,565	1,605	1,645	1,607	1,679
<b>Canada</b>									
Real GDP (% change)	5.0	3.6	0.7	1.0	2.4	1.9	1.8	1.4	1.9
Total inflation rate (% change)	3.4	6.8	3.5	2.0	2.0	2.0	2.0	2.0	3.0
Employment (% change)	5.0	4.0	1.1	0.9	1.6	1.6	1.4	1.1	1.8
Employment (thousands)	903	750	218	178	315	337	291	187	348
Unemployment rate	7.5	5.3	6.1	6.6	5.8	5.6	5.5	7.0	5.8
Housing starts (thousands of units)	217	271	209	215	236	226	225	226	230
S&P/TSX index (% change) <sup>1</sup>	21.7	-8.7	-0.7	7.0	6.0	5.0	5.0	4.5	2.3
Exchange rate (USD/CAD)	0.80	0.77	0.73	0.78	0.78	0.77	0.77	0.77	0.77
Overnight funds	0.25	1.95	4.45	2.80	2.25	2.25	2.25	1.18	2.66
Prime rate	2.45	4.14	6.65	5.00	4.45	4.45	4.45	3.38	4.86
Mortgage rate – 1-year	2.80	4.43	6.20	5.25	4.65	4.45	4.40	3.52	4.90
– 5-year	4.79	5.64	6.50	6.30	5.90	5.80	5.65	5.18	5.96
Treasury bills – 3-month	0.11	2.18	4.30	2.65	2.25	2.20	2.20	1.15	2.63
Federal bonds – 2-year	0.48	2.90	3.45	2.40	2.20	2.20	2.20	1.49	2.56
– 5-year	0.95	2.78	2.90	2.40	2.25	2.25	2.25	1.60	2.47
– 10-year	1.36	2.77	2.75	2.40	2.35	2.35	2.35	1.75	2.50
– 30-year	1.85	2.81	2.80	2.40	2.35	2.35	2.35	2.01	2.51
<u>Yield spreads (Canada – United States)</u>									
Treasury bills – 3-month	0.06	0.09	-0.55	-0.45	-0.10	-0.15	-0.15	-0.17	-0.22
Federal bonds – 10-year	-0.07	-0.19	-0.65	-0.30	-0.30	-0.30	-0.30	-0.32	-0.34
– 30-year	-0.20	-0.31	-0.65	-0.50	-0.50	-0.50	-0.50	-0.48	-0.49
<b>Quebec</b>									
Real GDP (% change)	6.0	2.7	-0.2	1.2	2.1	1.7	1.5	1.9	1.5
Total inflation rate (% change)	3.8	6.7	3.4	2.0	2.0	2.0	2.0	1.9	3.0
Employment (% change)	4.1	2.6	2.1	1.0	2.0	1.5	1.2	1.1	1.7
Employment (thousands)	169	112	90	45	90	70	60	42	78
Unemployment rate	6.1	4.3	4.6	4.3	3.8	3.6	3.4	6.4	4.0
Retail sales (% change)	14.4	8.6	4.3	3.5	5.5	5.2	5.0	5.1	5.3
Housing starts (thousands of units)	68	57	44	49	51	52	53	53	51
<b>Ontario</b>									
Real GDP (% change)	5.2	3.7	0.0	1.0	2.4	2.2	1.7	1.5	1.8
Total inflation rate (% change)	3.5	6.8	3.3	1.9	2.1	2.0	2.0	2.0	3.0
Employment (% change)	4.9	4.2	0.2	1.0	1.7	1.6	1.2	1.3	1.6
Employment (thousands)	343	311	0	88	132	123	96	89	125
Unemployment rate	8.0	5.7	7.0	7.2	6.7	6.4	6.4	7.0	6.6
Retail sales (% change)	9.3	11.4	1.8	2.0	4.2	3.8	3.8	4.0	4.5
Housing starts (thousands of units)	100	96	65	58	65	73	78	81	73

f: forecasts; WTI: West Texas Intermediate; <sup>1</sup> Changes are based on end-of-period data.

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