

ECONOMIC & FINANCIAL OUTLOOK



Growth Will Remain Strong in the Short Term, but International Worries Are Intensifying

HIGHLIGHTS

- ▶ The euro zone's economy is struggling. Real GDP growth was just 0.7% (annualized) in the third quarter. Germany posted a 0.8% contraction, the first since winter 2015. In the United Kingdom, the economy had a good third quarter (+2.5%), but the Brexit situation is still very complicated. Japan also saw its GDP fall in the summer. The markets continue to be worried about China and emerging countries.
- ▶ In the United States, real GDP growth reached 3.5% (annualized) in the third quarter, as expected. Household consumption saw its best performance since 2014 this summer, and October retail sales bode well for the fourth quarter. Business investment slowed, however, and housing is giving us cause for concern.
- ▶ In Canada, real GDP by industry rose 0.1% in August, following a 0.2% gain in July. This suggests that the third quarter as a whole will end with growth slightly below 2%. Domestic demand may also be somewhat less lively. On average, real GDP growth should hold at around 2% for subsequent quarters.
- ▶ Key rates are still expected to rise gradually on both sides of the border, with increases projected in December 2018 in the United States and January 2019 in Canada.
- ▶ In Quebec, real GDP growth should reach 2.6% this year, compared to 2.8% in 2017. The unemployment rate dipped to 5.2% in October, exacerbating the hiring challenges faced by many companies. The interest rate increase initiated in mid-2017 should cool household spending and the real estate market in 2019, and economic growth is expected to slow to 2.0%.
- ▶ For the other provinces, the economic scenario is still essentially the same. That said, the slump in Canadian oil prices is raising concerns for Alberta and Saskatchewan. For the time being, the economic effects should be limited, as the oil production volume remains very high.

MAIN CHANGES

- ▶ In light of the disappointing third quarter results, the annual real GDP growth rates in the euro zone and Japan were revised downward.
- ▶ Because of the recent events, we are expecting slightly lower oil prices, stock prices and bond yields in the coming months, but our targets for the end of 2019 hold overall.

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RISKS INHERENT IN OUR SCENARIOS

Protectionism is deepening uncertainty all around the world. A faster increase in import prices could raise inflationary pressures while undermining economic and employment growth in places around the globe. In Canada, the trade agreement reached between the United States, Mexico and Canada (USMCA) reduces the risks significantly, however. That said, a shake-up in global supply chains could further curb business investment and reduce productivity. Geopolitical risks continue to weigh on the global economy. Financial imbalances are still a consideration in a number of regions, especially in Europe and in emerging economies like China. Tough Brexit negotiations between the United Kingdom and the European Union could also disrupt the global economy. In the United States, the policies of the Trump administration could see the situation deviate from our scenarios—positively or negatively. Political uncertainty fed by doubts about the administration's integrity and partisan divisions in Congress could also affect the markets. The financial struggles of emerging countries could worsen and have a very negative impact on North American markets. The negative sentiment on the markets could endure if less favourable financial conditions lead to a deterioration in the economic outlook. Inflation that is stronger or weaker than forecast would have major consequences, especially on the bond market. The outbreak of a major conflict in the Middle East could drive international oil prices even higher. In Canada, the rise in interest rates is intensifying concerns over high household debt. Signs of overvaluation in the Toronto and Vancouver real estate markets are high, and Montreal just became overheated, making the market more vulnerable to a potential correction. If it persists, the sharp drop in Canadian oil prices could have a negative impact on certain provinces.

TABLE 1

World GDP growth (adjusted for PPP) and inflation rate

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2017	2018f	2019f	2017	2018f	2019f
Advanced economies	39.0	2.3	2.2	2.1	1.7	2.0	2.0
United States	15.5	2.2	2.9	2.7	2.1	2.5	2.3
Canada	1.3	3.0	2.1	2.1	1.6	2.3	1.8
<i>Quebec</i>	0.3	2.8	2.6	2.0	1.0	1.7	1.8
<i>Ontario</i>	0.5	2.8	2.2	2.0	1.7	2.3	1.9
Japan	4.4	1.7	0.9	1.0	0.5	1.0	1.2
United Kingdom	2.3	1.7	1.3	1.3	2.7	2.6	2.3
Euro zone	11.9	2.5	1.9	1.8	1.5	1.8	1.8
<i>Germany</i>	3.4	2.5	1.6	1.6	1.7	2.0	2.0
<i>France</i>	2.3	2.3	1.6	1.7	1.0	2.1	1.7
<i>Italy</i>	1.9	1.6	1.0	0.8	1.2	1.4	1.5
Other countries	4.0	1.4	1.7	1.4	1.0	1.2	1.2
Australia	0.9	2.2	3.2	2.8	1.9	2.1	2.3
Emerging and developing economies	61.0	4.6	4.7	4.6	6.8	5.3	4.9
North Asia	26.3	6.8	6.7	6.5	2.2	3.0	3.2
<i>China</i>	17.8	6.9	6.6	6.3	1.6	2.2	2.4
<i>India</i>	7.2	6.7	7.4	7.4	3.3	4.8	5.0
South Asia	5.3	5.1	5.0	4.8	2.8	2.7	3.0
Latin America	6.4	0.9	1.4	2.1	3.9	4.2	3.9
<i>Mexico</i>	1.9	2.0	2.1	2.3	6.0	4.7	3.8
<i>Brazil</i>	2.6	1.0	1.3	2.4	3.0	4.4	4.3
Eastern Europe	7.2	4.0	3.0	2.0	5.4	6.2	6.4
<i>Russia</i>	2.8	1.5	1.8	1.6	3.7	3.8	4.4
Other countries	15.8	2.4	3.3	3.4	19.6	12.6	9.1
<i>South Africa</i>	0.6	1.2	0.8	1.9	5.2	4.8	5.4
World	100.0	3.7	3.8	3.7	4.3	3.8	3.6

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2016.

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

FINANCIAL FORECASTS

Financial markets have continued to be very volatile in recent weeks. October's stock market correction was followed by a rebound in early November, but fresh downside pressures quickly reappeared on the stock markets and bond yields. While supply seems abundant despite reimposed sanctions on Iran, the drop in oil prices helped fuel investor concerns. In our opinion, the Organization of the Petroleum Exporting Countries (OPEC) will act quickly to restore global market balance and bring international oil prices back to around US\$70 a barrel. Disappointing international data and political tensions in Europe, particularly in Italy and the United Kingdom, are also keeping the markets uneasy. However, the economic outlook remains generally favourable, and our financial scenarios hold overall. Key rates are still expected to rise gradually on both sides of the border, with increases projected in December 2018 in the United States and January 2019 in Canada. The stock markets and bond yields should soon resume an upward trend to reflect an economic environment that will remain favourable in 2019. We have nonetheless downgraded our targets slightly for the end of this year. With investors feeling slightly more optimistic again and domestic and international oil prices rising back up, the loonie should see an uptick in the coming months.

TABLE 2

Summary of the financial forecasts

	2017		2018				2019			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	1.25	1.50	1.75	2.00	2.25	2.50	2.75	3.00	3.25	3.25
Canada	1.00	1.00	1.25	1.25	1.50	1.75	2.00	2.00	2.25	2.25
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.25
United Kingdom	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00
Federal bonds										
<u>United States</u>										
2-year	1.49	1.88	2.27	2.53	2.82	3.00	3.15	3.25	3.30	3.40
5-year	1.92	2.19	2.55	2.73	2.95	3.10	3.25	3.40	3.50	3.55
10-year	2.33	2.41	2.75	2.86	3.06	3.25	3.45	3.55	3.60	3.65
30-year	2.86	2.74	2.97	2.99	3.21	3.45	3.60	3.70	3.75	3.80
<u>Canada</u>										
2-year	1.52	1.68	1.77	1.91	2.21	2.35	2.50	2.50	2.55	2.65
5-year	1.75	1.86	1.96	2.06	2.33	2.45	2.60	2.70	2.80	2.85
10-year	2.10	2.04	2.09	2.17	2.42	2.55	2.70	2.80	2.90	2.95
30-year	2.47	2.26	2.23	2.20	2.41	2.65	2.85	2.95	3.05	3.10
Currency market										
Canadian dollar (USD/CAD)	1.25	1.26	1.29	1.31	1.29	1.30	1.30	1.31	1.30	1.28
Canadian dollar (CAD/USD)	0.80	0.79	0.78	0.76	0.77	0.77	0.77	0.77	0.77	0.78
Euro (EUR/USD)	1.18	1.20	1.23	1.17	1.16	1.15	1.16	1.18	1.20	1.22
British pound (GBP/USD)	1.34	1.35	1.40	1.32	1.30	1.29	1.27	1.28	1.31	1.34
Yen (USD/JPY)	112	113	106	111	114	113	114	115	115	114
Stock markets (level and growth)*										
United States – S&P 500	2,674		Target: 2,850 (+6.6%)				Target: 3,050 (+7.0%)			
Canada – S&P/TSX	16,209		Target: 16,500 (+1.8%)				Target: 18,000 (+9.1%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	51 (60*)		66 (65*)				71 (74*)			
Gold (US\$/ounce)	1,258 (1,303*)		1,265 (1,215*)				1,205 (1,200*)			

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)	2018				2019		ANNUAL AVERAGE			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	2016	2017	2018f	2019f
Real GDP (2012 US\$)	2.2	4.2	3.5	2.7	2.1	3.2	1.6	2.2	2.9	2.7
Personal consumption expenditures	0.5	3.8	4.0	3.3	2.4	3.4	2.7	2.5	2.7	3.0
Residential construction	-3.4	-1.3	-4.0	2.0	4.0	6.3	6.5	3.3	0.1	2.4
Business fixed investment	11.5	8.7	0.8	4.3	4.0	3.8	0.5	5.3	6.6	3.9
Inventory change (US\$B)	30.3	-36.8	76.3	65.0	50.0	50.0	23.4	22.5	33.7	50.0
Public expenditures	1.5	2.5	3.3	1.9	1.4	1.6	1.4	-0.1	1.7	1.9
Exports	3.6	9.3	-3.5	2.0	1.5	1.5	-0.1	3.0	4.2	1.4
Imports	3.0	-0.6	9.1	3.5	2.5	2.5	1.9	4.6	4.6	3.3
Final domestic demand	1.9	4.0	3.1	3.1	2.5	3.3	2.3	2.5	3.0	2.9
Other indicators										
Nominal GDP	4.3	7.6	4.9	5.0	4.1	5.3	2.7	4.2	5.2	4.9
Employment according to establishments	1.7	1.7	1.7	1.5	1.4	1.4	1.8	1.6	1.6	1.4
Unemployment rate (%)	4.1	3.9	3.8	3.7	3.6	3.5	4.9	4.4	3.9	3.5
Housing starts ¹ (thousands of units)	1,317	1,261	1,218	1,298	1,325	1,347	1,178	1,208	1,274	1,341
Total inflation rate*	2.3	2.6	2.6	2.4	2.3	2.3	1.3	2.1	2.5	2.3
Core inflation rate* ³	1.9	2.2	2.2	2.2	2.1	2.3	2.2	1.8	2.1	2.3

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

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2018				2019		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2016	2017	2018f	2019f
Real GDP (2012 \$)	1.4	2.9	1.9	2.1	2.3	2.0	1.1	3.0	2.1	2.1
Final consumption expenditure [of which:]	1.5	2.4	1.7	2.0	2.0	1.9	2.1	3.1	2.2	2.0
Household consumption expenditure	1.0	2.6	1.5	2.0	1.8	1.8	2.1	3.6	2.1	1.8
Governments consumption expenditure	2.6	1.6	2.0	2.0	2.5	2.0	1.8	2.1	2.5	2.2
Gross fixed capital formation [of which:]	2.5	0.9	1.0	2.3	2.6	2.6	-4.3	3.0	3.6	2.3
Residential structures	-10.5	1.1	-1.5	0.3	1.5	1.0	3.5	2.4	-0.5	0.6
Non-residential structures	8.2	2.2	2.0	3.5	3.0	3.5	-11.9	1.1	5.2	3.2
Machinery and equipment	16.4	1.4	2.5	3.5	4.0	4.0	-6.6	4.7	8.1	3.7
Intellectual property products	14.4	1.0	3.0	3.0	3.0	3.0	-5.8	1.2	6.3	3.0
Governments gross fixed capital formation	4.0	-2.0	2.0	3.0	3.0	3.0	-2.3	6.3	3.9	2.4
Investment in inventories (2012 \$B)	15.8	14.1	8.0	9.5	11.5	12.0	2.3	17.6	11.9	11.8
Exports	2.4	12.3	-1.5	2.0	2.0	2.2	1.3	1.1	2.5	2.3
Imports	4.2	6.5	-5.7	2.7	2.7	2.7	0.0	4.2	3.5	1.9
Final domestic demand	1.7	2.1	1.5	2.1	2.2	2.1	0.6	3.1	2.5	2.0
Other indicators										
Nominal GDP	3.1	5.1	3.7	4.6	4.3	3.8	2.0	5.4	4.2	4.0
Employment	0.1	0.7	1.3	1.2	1.1	1.2	0.7	1.9	1.2	1.2
Unemployment rate (%)	5.8	5.9	5.9	5.8	5.8	5.8	7.0	6.3	5.9	5.8
Housing starts ¹ (thousands of units)	225	219	197	201	199	198	198	220	210	197
Total inflation rate*	2.1	2.3	2.7	2.0	1.6	1.9	1.4	1.6	2.3	1.8
Core inflation rate* ³	1.8	1.8	2.1	1.7	1.3	1.6	1.9	1.6	1.8	1.5

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

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2015	2016	2017	2018f	2019f
Real GDP (2012 \$)	0.9	1.4	2.8	2.6	2.0
Final consumption expenditure [of which:]	0.9	2.8	2.9	2.6	2.0
Household consumption expenditure	1.5	2.4	3.2	2.4	1.9
Governments consumption expenditure	-0.6	3.5	2.2	3.2	2.5
Gross fixed capital formation [of which:]	-2.0	-1.4	5.1	5.1	1.2
Residential structures	-0.3	3.2	7.3	6.1	-3.1
Non-residential structures	-6.1	-1.6	-4.8	0.5	1.0
Machinery and equipment	-0.5	4.1	10.7	9.0	6.3
Intellectual property products	-11.3	-2.4	4.9	7.9	3.8
Governments gross fixed capital formation	3.4	-10.9	6.8	3.4	3.5
Investment in inventories (2012 \$B)	606	874	3,715	3,500	3,000
Exports	2.0	0.4	1.2	2.7	2.9
Imports	1.7	2.1	3.9	3.0	1.9
Final domestic demand	0.4	2.0	3.3	3.1	1.9
Other indicators					
Nominal GDP	2.9	2.8	5.0	4.5	4.2
Real disposable personal income	2.5	2.0	3.5	2.5	1.8
Weekly earnings	2.1	1.2	2.8	4.0	4.3
Employment	0.9	0.9	2.2	0.9	0.5
Unemployment rate (%)	7.6	7.1	6.1	5.4	5.1
Personal saving rate (%)	5.0	5.0	5.5	5.8	5.9
Retail sales	1.9	6.6	5.5	4.0	3.3
Housing starts ¹ (thousands of units)	37.9	38.9	46.5	47.0	43.0
Total inflation rate	1.1	0.7	1.0	1.7	1.8

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)	2015	2016	2017	2018f	2019f
Real GDP (2012 \$)	2.5	2.3	2.8	2.2	2.0
Final consumption expenditure [of which:]	2.8	2.2	3.4	2.4	2.1
Household consumption expenditure	2.9	2.7	3.9	2.4	2.2
Governments consumption expenditure	2.0	0.5	2.0	2.3	2.1
Gross fixed capital formation [of which:]	6.3	0.2	3.3	3.9	2.2
Residential structures	7.7	7.5	1.0	-2.1	0.7
Non-residential structures	12.1	-7.9	1.7	9.0	3.9
Machinery and equipment	9.9	-4.2	7.9	7.5	3.7
Intellectual property products	0.3	-3.3	2.3	6.4	2.7
Governments gross fixed capital formation	-1.1	-0.7	6.3	7.4	2.5
Investment in inventories (2012 \$B)	2,725	1,214	9,329	9,500	7,500
Exports	2.2	2.7	1.8	1.4	3.0
Imports	2.5	1.3	5.1	2.2	2.7
Final domestic demand	3.5	1.8	3.4	2.7	2.2
Other indicators					
Nominal GDP	4.6	4.4	4.1	3.8	4.0
Real disposable personal income	3.6	1.0	3.6	2.4	2.4
Weekly earnings	2.6	1.1	1.9	2.9	2.7
Employment	0.7	1.1	1.8	1.5	1.4
Unemployment rate (%)	6.8	6.5	6.0	5.7	5.6
Personal saving rate (%)	2.7	2.4	2.2	2.0	2.3
Retail sales	5.3	6.9	7.7	3.7	3.5
Housing starts ¹ (thousands of units)	70.2	75.0	79.1	79.0	70.9
Total inflation rate*	1.2	1.8	1.7	2.3	1.9

f: forecasts; * Annual change; ¹ Annualized basis.

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

TABLE 7
Canada: Major economic indicators by provinces

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2015	2016	2017	2018f	2019f
Real GDP growth – Canada	0.7	1.1	3.0	2.1	2.1
Atlantic	0.1	1.6	1.5	1.0	1.5
Quebec	0.9	1.4	2.8	2.6	2.0
Ontario	2.5	2.3	2.8	2.2	2.0
Manitoba	1.2	1.6	3.2	2.0	1.8
Saskatchewan	-0.9	-0.4	2.2	2.2	2.0
Alberta	-3.7	-4.2	4.4	2.2	2.3
British Columbia	2.1	3.2	3.8	2.1	2.2
Total inflation rate – Canada	1.1	1.4	1.6	2.3	1.8
Atlantic	0.4	1.9	1.9	2.1	1.7
Quebec	1.1	0.7	1.0	1.7	1.8
Ontario	1.2	1.8	1.7	2.3	1.9
Manitoba	1.2	1.3	1.6	2.3	1.9
Saskatchewan	1.6	1.1	1.7	2.1	1.7
Alberta	1.1	1.1	1.6	2.4	1.9
British Columbia	1.1	1.8	2.1	2.5	2.0
Employment growth – Canada	0.8	0.7	1.9	1.2	1.2
Atlantic	-0.4	-0.7	-0.2	1.0	0.7
Quebec	0.9	0.9	2.2	0.9	0.5
Ontario	0.7	1.1	1.8	1.5	1.4
Manitoba	1.5	-0.4	1.7	0.5	1.0
Saskatchewan	0.5	-0.9	-0.2	0.3	1.2
Alberta	1.2	-1.6	1.0	1.8	1.8
British Columbia	1.2	3.2	3.7	1.0	1.0
Unemployment rate – Canada	6.9	7.0	6.3	5.9	5.8
Atlantic	10.0	9.9	9.7	9.2	9.0
Quebec	7.6	7.1	6.1	5.4	5.1
Ontario	6.8	6.5	6.0	5.7	5.6
Manitoba	5.6	6.1	5.4	6.1	6.0
Saskatchewan	5.0	6.3	6.3	6.3	6.2
Alberta	6.0	8.1	7.8	6.9	6.6
British Columbia	6.2	6.0	5.1	4.7	4.6
Retail sales growth – Canada	2.6	5.2	7.1	3.2	3.6
Atlantic	1.1	3.0	6.2	1.6	2.5
Quebec	1.9	6.6	5.5	4.0	3.3
Ontario	5.3	6.9	7.7	3.7	3.5
Manitoba	1.3	3.7	7.8	1.2	3.0
Saskatchewan	-3.3	1.5	4.1	1.0	3.5
Alberta	-4.0	-1.1	7.1	3.0	4.2
British Columbia	7.0	7.7	9.3	2.5	4.0
Housing starts – Canada (thousands of units)	195.5	197.9	219.8	210.4	197.3
Atlantic	8.1	7.6	8.6	9.1	8.8
Quebec	37.9	38.9	46.5	47.0	43.0
Ontario	70.2	75.0	79.1	79.0	70.9
Manitoba	5.5	5.3	7.5	7.0	6.8
Saskatchewan	5.1	4.8	4.9	4.3	4.5
Alberta	37.3	24.5	29.5	25.6	28.8
British Columbia	31.4	41.8	43.7	34.8	34.5

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

TABLE 8
Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE							AVERAGES	
	2016	2017	2018f	2019f	2020f	2021f	2022f	2013–2017	2018–2022f
United States									
Real GDP (var. in %)	1.6	2.2	2.9	2.7	2.0	0.6	1.9	2.2	2.0
Total inflation rate (var. in %)	1.3	2.1	2.5	2.3	1.3	0.4	1.9	1.3	1.7
Unemployment rate	4.9	4.4	3.9	3.5	3.8	4.8	5.1	5.6	4.2
S&P 500 index (var. in %)¹	9.5	19.4	6.6	7.0	-5.0	0.0	10.0	13.8	3.7
Federal funds rate	0.51	1.10	1.90	2.90	3.45	2.15	1.75	0.47	2.43
Prime rate	3.51	4.10	4.90	5.90	6.45	5.15	4.75	3.47	5.43
Treasury bills – 3-month	0.32	0.95	1.95	2.90	3.20	1.85	1.55	0.28	2.29
Federal bonds – 10-year	1.84	2.33	2.95	3.55	3.50	2.70	2.70	2.23	3.08
– 30-year	2.60	2.89	3.15	3.70	3.65	2.85	2.85	3.02	3.24
WTI oil (US\$/barrel)	43	51	66	71	63	42	50	67	58
Gold (US\$/ounce)	1,249	1,258	1,265	1,205	1,200	1,250	1,275	1,269	1,239
Canada									
Real GDP (var. in %)	1.1	3.0	2.1	2.1	1.7	0.5	1.7	2.0	1.6
Total inflation rate (var. in %)	1.4	1.6	2.3	1.8	1.7	0.5	1.5	1.4	1.6
Employment (var. in %)	0.7	1.9	1.2	1.2	1.0	0.3	0.8	1.1	0.9
Employment (thousands)	133	337	228	216	194	53	147	196	168
Unemployment rate	7.0	6.3	5.9	5.8	5.6	6.5	6.4	6.8	6.0
Housing starts (thousands of units)	198	220	210	197	200	180	195	198	197
S&P/TSX index (var. in %)¹	17.5	6.0	1.8	9.1	-5.0	0.0	12.0	5.9	3.6
Exchange rate (US\$/C\$)	0.75	0.77	0.77	0.77	0.79	0.76	0.79	0.84	0.78
Overnight funds	0.50	0.70	1.40	2.10	2.45	1.45	1.25	0.77	1.73
Prime rate	2.70	2.90	3.60	4.30	4.65	3.65	3.45	2.88	3.93
Mortgage rate – 1-year	3.14	3.16	3.50	4.20	4.40	3.50	3.35	3.10	3.79
– 5-year	4.66	4.76	5.25	5.75	5.85	5.20	5.15	4.84	5.44
Treasury bills – 3-month	0.49	0.69	1.40	2.20	2.40	1.40	1.25	0.72	1.73
Federal bonds – 2-year	0.56	1.09	2.00	2.55	2.65	1.60	1.55	0.87	2.07
– 5-year	0.73	1.37	2.20	2.75	2.70	1.85	1.95	1.23	2.29
– 10-year	1.25	1.78	2.30	2.85	2.85	2.25	2.30	1.81	2.51
– 30-year	1.93	2.28	2.40	3.00	3.00	2.40	2.45	2.40	2.65
Yield spreads (Canada—United States)									
Treasury bills – 3-month	0.17	-0.26	-0.55	-0.70	-0.80	-0.45	-0.30	0.44	-0.56
Federal bonds – 10-year	-0.59	-0.55	-0.65	-0.70	-0.65	-0.45	-0.40	-0.43	-0.57
– 30-year	-0.67	-0.61	-0.75	-0.70	-0.65	-0.45	-0.40	-0.62	-0.59
Quebec									
Real GDP (var. in %)	1.4	2.8	2.6	2.0	1.5	0.3	1.2	1.6	1.5
Total inflation rate (var. in %)	0.7	1.0	1.7	1.8	1.5	0.3	1.3	1.0	1.3
Employment (var. in %)	0.9	2.2	0.9	0.5	0.3	-0.5	0.2	1.1	0.3
Employment (thousands)	36	90	35	20	15	-20	10	43	12
Unemployment rate	7.1	6.1	5.4	5.1	4.5	5.0	4.9	7.2	5.0
Retail sales (var. in %)	6.6	5.5	4.0	3.3	3.0	1.0	2.5	3.9	2.8
Housing starts (thousands of units)	39	46	47	43	38	30	35	40	38
Ontario									
Real GDP (var. in %)	2.3	2.8	2.2	2.0	1.5	0.3	1.5	2.3	1.5
Total inflation rate (var. in %)	1.8	1.7	2.3	1.9	1.8	0.5	1.5	1.6	1.6
Employment (var. in %)	1.1	1.8	1.5	1.4	0.7	0.2	0.8	1.2	0.9
Employment (thousands)	76	128	109	100	51	15	59	85	67
Unemployment rate	6.5	6.0	5.7	5.6	5.4	6.3	6.2	6.8	5.8
Retail sales (var. in %)	6.9	7.7	3.7	3.5	5.0	2.0	4.5	5.7	3.7
Housing starts (thousands of units)	75	79	79	71	75	68	74	69	73

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