

# ECONOMIC & FINANCIAL OUTLOOK



## Confusion Reigns as U.S. Budget Impasse Drags On

### HIGHLIGHTS

- ▶ The problems continue to mount in the euro zone. Industrial output plunged in November, and there is little hope of a rebound in real GDP in the fourth quarter on the heels of last summer's disappointing numbers. Germany appears to have just barely avoided a technical recession after real GDP contracted in the third quarter. With fewer than 70 days to go until Britain's official withdrawal from the European Union, the uncertainty surrounding Brexit is growing. The Chinese economy is slowing, but the government announced new measures to prop up growth.
- ▶ In the United States, the federal government shutdown continues to make headlines. The current standoff is the longest, although less than 25% of the administration is affected. The shutdown is increasingly threatening to impact confidence and economic activity. The lack of data is also complicating the economic situation.
- ▶ In Canada, economic growth is expected to slow in the fourth quarter of 2018 and the first quarter of 2019. The harmful effects of the problems in the oil and gas sector will only add to the struggles that some of the components of domestic demand are experiencing. Growth may return to a more sustainable pace starting in the spring of 2019.
- ▶ In Quebec, the unemployment rate reached 5.5% in 2018, the lowest in more than 40 years. Economic growth continued at a strong pace in the third quarter, with an annualized increase of 2.5%. However, households and businesses were less confident in recent months. As a result, real GDP growth is expected to slow to 1.9% this year, followed by 1.5% in 2020 after having advanced roughly 2.5% in 2018.
- ▶ In Ontario, the third quarter of 2018 ended with real GDP up 2.6% (annualized). Furthermore, domestic demand increased 1.1%, clearly outpacing the national average (-0.1%). Spared the challenges of the oil and gas sector, Ontario's economy should be able to continue to grow faster than the national average during the next few quarters. The opposite is obviously true for Alberta, which will bear the full brunt. In British Columbia, the housing market correction is expected to continue, causing real GDP to grow a little more slowly.

### MAIN CHANGES

- ▶ In light of the latest disappointing data, Euroland economic growth was revised downward for 2018 and 2019. Global growth was also slightly revised.
- ▶ The next round of key interest rate hikes in North America is now expected to begin around mid-2019, given the high degree of uncertainty and the fact that the Federal Reserve and the Bank of Canada have both signalled that they will be patient.

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## RISKS INHERENT IN OUR SCENARIOS

A number of factors could cause a faster and more serious reversal of the economic situation than anticipated. Recent concerns regarding the strength of the global economy negatively impacted the markets, particularly the stock market, and other downward trends could rattle household and business confidence. The escalating protectionism is also intensifying the uncertainty felt around the globe. However, for Canada, the new trade agreement with United States and Mexico (CUSMA) has significantly reduced the risks. Geopolitical issues 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. Brexit remains unresolved, and the risks associated with a non-negotiated exit have become more significant. In the United States, the policies of the Trump administration could see the situation deviate from our scenarios—positively or negatively. If it goes on for a long time, the partial shutdown of the federal government could stunt economic growth. Besides the current standoff, the political uncertainty, fed by doubts about the administration's integrity and the partisan divisions within Congress, could also affect the markets. Significant tightening of financial conditions could have a negative impact on the markets. Inflation that is stronger or weaker than forecast would have major consequences, especially for 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. There are strong signs of an overvaluation in the Toronto and Vancouver real estate markets; Montreal and Ottawa just became overheated, making the market more vulnerable to a potential correction. If they persist, some provinces could feel the effects of the difficulties in the Canadian oil sector more sharply than others.

**TABLE 1**

### World GDP growth (adjusted for PPP) and inflation rate

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2018f	2019f	2020f	2018f	2019f	2020f
<b>Advanced economies</b>	<b>38.3</b>	<b>2.2</b>	<b>2.0</b>	<b>1.6</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>
United States	15.2	2.9	2.7	2.0	2.4	2.0	1.8
Canada	1.3	2.1	1.8	1.7	2.3	1.7	1.8
Quebec	0.3	2.3	1.9	1.5	1.7	1.6	1.8
Ontario	0.5	2.4	2.0	1.6	2.4	1.8	1.8
Japan	4.3	0.7	0.9	0.3	1.0	0.9	1.0
United Kingdom	2.2	1.3	1.3	0.9	2.5	2.1	1.6
Euro zone	11.7	1.8	1.5	1.6	1.7	1.6	1.2
Germany	3.3	1.5	1.2	1.5	1.9	1.9	1.3
France	2.3	1.5	1.4	1.3	1.9	1.5	1.1
Italy	1.9	0.9	0.6	0.9	1.1	1.3	0.8
Other countries	3.9	1.5	1.3	1.3	1.1	1.1	0.8
Australia	0.9	3.0	2.7	2.7	1.9	2.1	1.8
<b>Emerging and developing economies</b>	<b>61.7</b>	<b>4.7</b>	<b>4.6</b>	<b>4.4</b>	<b>4.8</b>	<b>5.0</b>	<b>3.6</b>
North Asia	26.9	6.7	6.5	6.2	2.7	3.1	2.3
China	18.3	6.6	6.3	5.9	2.1	2.3	1.7
India	7.4	7.4	7.4	7.2	4.0	4.7	4.3
South Asia	5.3	4.9	4.8	4.4	2.5	2.8	2.5
Latin America	6.0	1.9	2.3	2.4	3.5	3.8	3.2
Mexico	1.8	2.1	1.9	2.1	4.9	3.9	3.1
Brazil	2.5	1.3	2.4	2.4	2.9	4.1	3.6
Eastern Europe	7.4	2.9	1.8	2.2	5.9	6.9	4.8
Russia	3.0	1.7	1.5	1.5	2.9	4.6	3.5
Other countries	16.0	3.0	3.3	2.9	11.1	9.5	6.9
South Africa	0.6	0.8	1.8	1.4	4.7	5.1	4.7
<b>World</b>	<b>100.0</b>	<b>3.7</b>	<b>3.6</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>2.6</b>

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; \* 2017.

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

## FINANCIAL FORECASTS

A dark cloud continued to hang over the financial markets in the closing weeks of 2018, causing the stock markets, bond yields and commodities prices to fall once again. Despite being under pressure from President Donald Trump and the financial markets, the Federal Reserve (Fed) announced another key interest rate hike on December 19. Still, it did indicate that it would monitor developments in the global economy and on the financial markets. In addition, the leaders' median forecast for the number of key rate increases anticipated was lowered. The pessimism appeared to spill over into 2019, with the ongoing partial shutdown of the U.S. government and the major drop in the ISM manufacturing index. However, the excellent job numbers in the United States and a clear signal by the chair of the Fed that it will be patient and flexible going forward have boosted investor confidence since January 4. This more upbeat feeling caused markets and the Canadian dollar to rebound. A major reduction in Saudi oil output helped oil prices rise a little as well. The Bank of Canada (BoC) also signalled that it will be patient before it resumes monetary tightening, given that the outlook for growth and inflation has worsened. As a result, we now expect the Fed and the BoC to wait until mid-year before announcing their next hike in key interest rates. The markets, bond yields and oil prices should continue to rise in the coming months.

**TABLE 2**

### Summary of the financial forecasts

	2018		2019				2020			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Key interest rate</b>										
United States	2.25	2.50	2.50	2.75	2.75	3.00	3.25	3.25	3.25	3.00
Canada	1.50	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.25	2.00
Euro zone	0.00	0.00	0.00	0.00	0.00	0.05	0.25	0.25	0.50	0.50
United Kingdom	0.75	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50
<b>Federal bonds</b>										
<u>United States</u>										
2-year	2.82	2.51	2.60	2.80	2.90	3.05	3.20	3.15	3.00	2.60
5-year	2.95	2.49	2.65	2.90	3.10	3.25	3.35	3.30	3.00	2.60
10-year	3.06	2.69	2.80	3.05	3.20	3.35	3.45	3.35	3.00	2.80
30-year	3.21	3.02	3.15	3.35	3.45	3.55	3.60	3.50	3.20	3.00
<u>Canada</u>										
2-year	2.21	1.86	1.95	2.10	2.20	2.30	2.45	2.40	2.30	1.95
5-year	2.33	1.88	2.00	2.20	2.40	2.50	2.60	2.55	2.35	2.10
10-year	2.42	1.96	2.05	2.30	2.45	2.60	2.70	2.65	2.40	2.30
30-year	2.41	2.18	2.30	2.50	2.65	2.75	2.80	2.75	2.50	2.40
<b>Currency market</b>										
Canadian dollar (USD/CAD)	1.29	1.36	1.32	1.30	1.29	1.30	1.28	1.28	1.28	1.32
Canadian dollar (CAD/USD)	0.77	0.73	0.76	0.77	0.78	0.77	0.78	0.78	0.78	0.76
Euro (EUR/USD)	1.16	1.14	1.16	1.17	1.18	1.20	1.22	1.24	1.25	1.24
British pound (GBP/USD)	1.30	1.27	1.30	1.31	1.33	1.35	1.38	1.40	1.41	1.40
Yen (USD/JPY)	114	110	111	112	114	114	112	110	105	105
<b>Stock markets (level and growth)*</b>										
United States – S&P 500	2,507		Target: 2,800 (+11.7%)				Target: 2,660 (-5.0%)			
Canada – S&P/TSX	14,323		Target: 16,400 (+14.5%)				Target: 15,600 (-4.9%)			
<b>Commodities (annual average)</b>										
WTI oil (US\$/barrel)	65 (52*)		59 (65*)				59 (48*)			
Gold (US\$/ounce)	1,270 (1,225*)		1,245 (1,220*)				1,210 (1,230*)			

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			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2017	2018f	2019f	2020f
Real GDP (2012 US\$)	3.4	2.8	1.5	3.4	2.4	2.1	2.2	2.9	2.7	2.0
Personal consumption expenditures	3.5	3.8	1.8	3.7	2.5	2.2	2.5	2.7	3.0	2.2
Residential construction	-3.6	1.5	4.8	4.8	3.3	2.5	3.3	0.1	2.4	1.0
Business fixed investment	2.5	4.2	3.7	3.8	4.1	3.8	5.3	6.8	4.0	2.8
Inventory change (US\$B)	89.8	72.5	52.5	52.5	52.5	52.5	22.5	38.9	52.5	41.2
Public expenditures	2.6	1.9	1.3	2.0	1.6	1.6	-0.1	1.6	1.8	1.9
Exports	-4.9	2.0	1.5	1.5	1.5	1.5	3.0	4.0	1.2	1.4
Imports	9.3	4.0	2.5	2.5	2.5	2.5	4.6	4.7	3.4	2.3
Final domestic demand	2.9	3.4	2.1	3.5	2.6	2.3	2.5	2.9	2.9	2.2
<b>Other indicators</b>										
Nominal GDP	4.9	5.0	3.1	5.4	4.5	4.4	4.2	5.2	4.7	4.2
Employment according to establishments	1.7	1.8	1.6	1.5	1.4	1.3	1.6	1.6	1.6	1.1
Unemployment rate (%)	3.8	3.8	3.7	3.6	3.6	3.6	4.4	3.9	3.6	3.7
Housing starts <sup>1</sup> (thousands of units)	1,234	1,263	1,295	1,308	1,318	1,327	1,208	1,269	1,312	1,287
Total inflation rate*	2.6	2.2	1.7	1.9	2.0	2.2	2.1	2.4	2.0	1.8
Core inflation rate* <sup>3</sup>	2.2	2.2	2.1	2.2	2.3	2.3	1.8	2.1	2.2	2.1

f: forecasts; \* Annual change; <sup>1</sup> Annualized basis; <sup>2</sup> Before taxes; <sup>3</sup> 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			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2017	2018f	2019f	2020f
<b>Real GDP</b> (2012 \$)	<b>2.0</b>	<b>1.5</b>	<b>1.2</b>	<b>2.3</b>	<b>1.9</b>	<b>1.8</b>	<b>3.0</b>	<b>2.1</b>	<b>1.8</b>	<b>1.7</b>
Final consumption expenditure [of which:]	1.4	2.6	2.1	2.0	1.8	1.7	3.1	2.4	2.0	1.6
Household consumption expenditure	1.2	2.4	1.9	1.9	1.7	1.6	3.6	2.3	1.9	1.5
Governments consumption expenditure	1.8	3.0	2.5	2.2	2.2	2.0	2.1	2.9	2.4	1.9
Gross fixed capital formation [of which:]	-5.0	-1.2	0.6	1.2	1.8	2.3	3.0	2.5	-0.2	2.2
Residential structures	-5.9	-1.2	-2.3	-1.5	-0.9	-0.4	2.4	-1.1	-2.0	0.0
Non-residential structures	-5.2	-2.0	2.5	3.0	3.5	4.0	1.1	3.0	0.8	3.5
Machinery and equipment	-9.8	-3.0	3.0	3.5	4.0	5.0	4.7	7.4	0.4	4.2
Intellectual property products	-5.6	-4.0	-3.0	-1.0	1.5	3.0	1.2	3.1	-2.1	2.8
Governments gross fixed capital formation	2.5	3.0	3.0	3.0	2.5	2.0	6.3	4.2	2.2	2.1
Investment in inventories (2012 \$B)	6.6	8.0	6.0	9.3	10.8	9.5	17.6	11.2	8.9	8.8
Exports	0.9	-0.9	2.2	2.5	2.0	2.5	1.1	3.0	2.1	2.1
Imports	-7.8	0.5	2.7	2.7	2.5	2.0	4.2	3.2	1.0	2.1
Final domestic demand	-0.1	1.8	1.8	1.8	1.8	1.9	3.1	2.5	1.6	1.8
<b>Other indicators</b>										
Nominal GDP	5.0	2.5	2.7	4.1	4.1	3.8	5.6	4.1	3.6	3.4
Employment	1.3	2.2	1.1	0.7	1.2	1.1	1.9	1.3	1.2	1.0
Unemployment rate (%)	5.9	5.7	5.7	5.7	5.6	5.7	6.3	5.8	5.7	5.6
Housing starts <sup>1</sup> (thousands of units)	197	217	208	203	197	192	220	213	200	195
Total inflation rate*	2.7	2.0	1.5	1.8	1.6	1.9	1.6	2.3	1.7	1.8
Core inflation rate* <sup>3</sup>	2.1	2.0	2.0	2.2	1.8	1.9	1.6	1.9	2.0	1.7

f: forecasts; \* Annual change; <sup>1</sup> Annualized basis; <sup>2</sup> Before taxes; <sup>3</sup> Excluding food and energy.

Sources: Datastream and Desjardins, Economic Studies

**TABLE 5**  
**Quebec: Major economic indicators**

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2016	2017	2018f	2019f	2020f
<b>Real GDP (2012 \$)</b>	<b>1.4</b>	<b>2.8</b>	<b>2.3</b>	<b>1.9</b>	<b>1.5</b>
Final consumption expenditure [of which:]	2.8	2.9	2.6	1.8	1.5
Household consumption expenditure	2.4	3.2	2.5	1.7	1.4
Governments consumption expenditure	3.5	0.5	4.5	2.0	1.7
Gross fixed capital formation [of which:]	-1.4	5.1	3.6	1.1	-0.2
Residential structures	3.2	7.3	4.3	-0.9	-3.5
Non-residential structures	-1.6	-4.8	0.4	2.3	1.5
Machinery and equipment	4.1	10.7	8.9	3.1	1.7
Intellectual property products	-2.4	4.9	4.0	2.1	1.9
Governments gross fixed capital formation	-10.9	6.8	1.2	1.0	0.9
Investment in inventories (2012 \$B)	874	1,688	3,023	4,000	4,000
Exports	0.4	1.2	2.8	3.0	2.0
Imports	2.1	3.9	3.3	1.9	1.2
Final domestic demand	2.0	3.3	2.8	1.7	1.2
<b>Other indicators</b>					
Nominal GDP	2.8	5.0	4.5	3.9	3.0
Real disposable personal income	2.0	3.5	2.3	1.6	1.4
Weekly earnings	1.2	2.8	3.5	4.0	4.5
Employment	0.9	2.2	0.9	0.8	0.5
Unemployment rate (%)	7.1	6.1	5.5	5.1	5.0
Personal saving rate (%)	5.0	5.5	4.8	4.2	4.0
Retail sales	6.6	5.5	3.7	3.1	2.7
Housing starts <sup>1</sup> (thousands of units)	38.9	46.5	46.9	43.0	40.0
Total inflation rate	0.7	1.0	1.7	1.6	1.8

f: forecasts; <sup>1</sup> Annualized basis.

Sources: Statistics Canada, Institut de la statistique du Québec, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

**TABLE 6**  
**Ontario: Major economic indicators**

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2016	2017	2018f	2019f	2020f
<b>Real GDP (2012 \$)</b>	<b>2.3</b>	<b>2.8</b>	<b>2.4</b>	<b>2.0</b>	<b>1.6</b>
Final consumption expenditure [of which:]	2.2	3.4	2.8	2.1	1.7
Household consumption expenditure	2.7	3.9	2.8	2.0	1.6
Governments consumption expenditure	0.5	2.0	2.8	2.1	1.7
Gross fixed capital formation [of which:]	0.2	3.3	3.6	0.4	2.1
Residential structures	7.5	1.0	-3.6	-2.5	-0.5
Non-residential structures	-7.9	1.7	8.3	3.3	4.3
Machinery and equipment	-4.2	7.9	8.8	1.9	5.0
Intellectual property products	-3.3	2.3	8.3	0.4	2.9
Governments gross fixed capital formation	-0.7	6.3	6.7	2.2	1.9
Investment in inventories (2012 \$B)	1,214	9,329	4,666	4,738	2,050
Exports	2.7	1.8	2.5	2.4	2.5
Imports	1.3	5.1	2.3	1.8	2.1
Final domestic demand	1.8	3.4	2.9	1.7	1.7
<b>Other indicators</b>					
Nominal GDP	4.4	4.1	3.9	4.2	2.4
Real disposable personal income	1.0	3.6	3.1	2.2	2.0
Weekly earnings	1.1	1.9	2.6	2.7	2.5
Employment	1.1	1.8	1.6	1.4	1.0
Unemployment rate (%)	6.5	6.0	5.6	5.5	5.4
Personal saving rate (%)	0.3	0.1	0.1	0.3	0.6
Retail sales	6.9	7.7	4.2	3.7	2.9
Housing starts <sup>1</sup> (thousands of units)	75.0	79.1	78.7	74.0	71.5
Total inflation rate*	1.8	1.7	2.4	1.8	1.8

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

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

**TABLE 7**
**Canada: Major economic indicators by provinces**

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2016	2017	2018f	2019f	2020f
<b>Real GDP growth – Canada</b>	<b>1.1</b>	<b>3.0</b>	<b>2.1</b>	<b>1.8</b>	<b>1.7</b>
Atlantic	1.6	1.5	0.8	1.2	1.0
Quebec	1.4	2.8	2.3	1.9	1.5
Ontario	2.3	2.8	2.4	2.0	1.6
Manitoba	1.6	3.2	2.0	1.7	1.6
Saskatchewan	-0.4	2.2	2.0	1.9	1.8
Alberta	-4.2	4.4	1.8	1.3	2.2
British Columbia	3.2	3.8	2.2	2.0	1.8
<b>Total inflation rate – Canada</b>	<b>1.4</b>	<b>1.6</b>	<b>2.3</b>	<b>1.7</b>	<b>1.8</b>
Atlantic	1.9	1.9	2.0	1.5	1.7
Quebec	0.7	1.0	1.7	1.6	1.8
Ontario	1.8	1.7	2.4	1.8	1.8
Manitoba	1.3	1.6	2.5	1.7	1.9
Saskatchewan	1.1	1.7	2.3	1.7	1.9
Alberta	1.1	1.6	2.4	1.2	2.0
British Columbia	1.8	2.1	2.7	1.8	1.8
<b>Employment growth – Canada</b>	<b>0.7</b>	<b>1.9</b>	<b>1.3</b>	<b>1.2</b>	<b>1.0</b>
Atlantic	-0.7	-0.2	1.0	1.1	0.8
Quebec	0.9	2.2	0.9	0.8	0.5
Ontario	1.1	1.8	1.6	1.4	1.0
Manitoba	-0.4	1.7	0.6	0.8	0.8
Saskatchewan	-0.9	-0.2	0.4	0.5	0.8
Alberta	-1.6	1.0	1.9	1.5	1.7
British Columbia	3.2	3.7	1.1	1.3	1.2
<b>Unemployment rate – Canada</b>	<b>7.0</b>	<b>6.3</b>	<b>5.8</b>	<b>5.7</b>	<b>5.6</b>
Atlantic	9.9	9.7	9.1	8.6	8.5
Quebec	7.1	6.1	5.5	5.1	5.0
Ontario	6.5	6.0	5.6	5.5	5.4
Manitoba	6.1	5.4	6.0	5.9	5.7
Saskatchewan	6.3	6.3	6.1	5.8	5.6
Alberta	8.1	7.8	6.6	6.8	6.6
British Columbia	6.0	5.1	4.7	4.5	4.5
<b>Retail sales growth – Canada</b>	<b>5.2</b>	<b>7.1</b>	<b>3.1</b>	<b>3.1</b>	<b>2.9</b>
Atlantic	3.0	6.2	1.3	2.4	2.0
Quebec	6.6	5.5	3.7	3.1	2.7
Ontario	6.9	7.7	4.2	3.7	2.9
Manitoba	3.7	7.8	1.0	3.0	2.8
Saskatchewan	1.5	4.1	-0.2	3.5	3.0
Alberta	-1.1	7.1	1.8	1.5	3.0
British Columbia	7.7	9.3	2.1	3.5	3.2
<b>Housing starts – Canada (thousands of units)</b>	<b>197.9</b>	<b>219.8</b>	<b>212.8</b>	<b>200.1</b>	<b>195.0</b>
Atlantic	7.6	8.6	9.3	9.1	8.9
Quebec	38.9	46.5	46.9	43.0	40.0
Ontario	75.0	79.1	78.7	74.0	71.5
Manitoba	5.3	7.5	7.4	7.2	7.1
Saskatchewan	4.8	4.9	3.6	3.8	3.6
Alberta	24.5	29.5	26.1	24.0	26.0
British Columbia	41.8	43.7	40.9	39.0	38.0

f: forecasts

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



**TABLE 8**  
**Medium-term major economic and financial indicators**

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE							AVERAGES	
	2017	2018	2019f	2020f	2021f	2022f	2023f	2013–2017	2018–2023f
<b>United States</b>									
Real GDP (var. in %)	2.2	2.9	2.7	2.0	0.6	1.9	2.5	2.2	2.1
Total inflation rate (var. in %)	2.1	2.4	2.0	1.8	0.4	1.9	2.0	1.3	1.8
Unemployment rate	4.4	3.9	3.6	3.7	4.8	5.1	5.0	5.6	4.4
S&P 500 index (var. in %)¹	19.4	-6.2	11.7	-5.0	0.0	10.0	8.0	13.8	3.1
Federal funds rate	1.10	1.90	2.65	3.20	2.00	1.80	2.25	0.47	2.30
Prime rate	4.10	4.90	5.65	6.20	5.00	4.80	5.25	3.47	5.30
Treasury bills – 3-month	0.95	1.97	2.65	2.95	1.75	1.70	2.15	0.28	2.20
Federal bonds – 10-year	2.33	2.91	3.10	3.15	2.65	2.80	3.15	2.23	2.96
– 30-year	2.89	3.11	3.40	3.35	2.80	3.00	3.35	3.02	3.17
WTI oil (US\$/barrel)	51	65	59	59	43	51	58	67	56
Gold (US\$/ounce)	1,258	1,269	1,245	1,210	1,250	1,250	1,240	1,269	1,244
<b>Canada</b>									
Real GDP (var. in %)	3.0	2.1	1.8	1.7	0.5	1.7	2.0	2.0	1.6
Total inflation rate (var. in %)	1.6	2.3	1.7	1.8	0.3	1.5	1.8	1.4	1.5
Employment (var. in %)	1.9	1.3	1.2	1.0	0.1	0.7	1.0	1.1	0.9
Employment (thousands)	337	241	230	187	25	131	186	196	167
Unemployment rate	6.3	5.8	5.7	5.6	6.5	6.4	6.1	6.8	6.0
Housing starts (thousands of units)	220	213	200	195	180	195	210	198	199
S&P/TSX index (var. in %)¹	6.0	-11.6	14.5	-4.9	0.0	12.0	7.0	5.9	2.8
Exchange rate (US\$/C\$)	0.77	0.77	0.77	0.78	0.75	0.78	0.80	0.84	0.77
Overnight funds	0.70	1.40	1.85	2.20	1.30	1.25	1.65	0.77	1.61
Prime rate	2.90	3.61	4.05	4.40	3.50	3.45	3.85	2.88	3.81
Mortgage rate – 1-year	3.16	3.47	4.00	4.25	3.40	3.45	3.95	3.10	3.75
– 5-year	4.76	5.26	5.65	5.75	5.35	5.40	5.90	4.84	5.55
Treasury bills – 3-month	0.69	1.37	1.85	2.15	1.30	1.30	1.65	0.72	1.60
Federal bonds – 2-year	1.09	1.99	2.15	2.25	1.45	1.55	2.25	0.87	1.94
– 5-year	1.37	2.15	2.30	2.40	1.85	2.00	2.55	1.23	2.21
– 10-year	1.78	2.28	2.35	2.50	2.20	2.40	2.70	1.81	2.41
– 30-year	2.28	2.36	2.55	2.60	2.35	2.60	2.85	2.40	2.55
<b>Yield spreads (Canada—United States)</b>									
Treasury bills – 3-month	-0.26	-0.60	-0.80	-0.80	-0.45	-0.40	-0.50	0.44	-0.59
Federal bonds – 10-year	-0.55	-0.63	-0.75	-0.65	-0.45	-0.40	-0.45	-0.43	-0.56
– 30-year	-0.61	-0.75	-0.85	-0.75	-0.45	-0.40	-0.50	-0.62	-0.62
<b>Quebec</b>									
Real GDP (var. in %)	2.8	2.3	1.9	1.5	0.3	1.2	1.8	1.6	1.5
Total inflation rate (var. in %)	1.0	1.7	1.6	1.8	0.3	1.3	1.7	1.0	1.4
Employment (var. in %)	2.2	0.9	0.8	0.5	0.0	0.3	0.6	1.1	0.5
Employment (thousands)	90	39	35	20	0	15	25	43	22
Unemployment rate	6.1	5.5	5.1	5.0	5.5	5.2	4.9	7.2	5.2
Retail sales (var. in %)	5.5	3.7	3.1	2.7	1.0	2.5	3.0	3.9	2.7
Housing starts (thousands of units)	46	47	43	40	35	38	40	40	40
<b>Ontario</b>									
Real GDP (var. in %)	2.8	2.4	2.0	1.6	0.3	1.5	2.0	2.3	1.6
Total inflation rate (var. in %)	1.7	2.4	1.8	1.8	0.5	1.5	1.9	1.6	1.6
Employment (var. in %)	1.8	1.6	1.4	1.0	0.1	0.8	1.0	1.2	1.0
Employment (thousands)	128	114	102	76	7	59	75	85	72
Unemployment rate	6.0	5.6	5.5	5.4	6.3	6.2	6.1	6.8	5.8
Retail sales (var. in %)	7.7	4.2	3.7	2.9	2.0	4.5	5.0	5.7	3.7
Housing starts (thousands of units)	79	79	74	72	68	74	76	69	74

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