

ECONOMIC & FINANCIAL OUTLOOK

Global Uncertainty Persists and Growth Is Weak in a Number of Economies

HIGHLIGHTS

- ▶ Economic growth remained weak in the euro zone this summer, with Germany narrowly avoiding a technical recession. However, France performed better. In the United Kingdom, Brexit has been postponed until the end of January and attention is now focused on the December 12 elections. The British economy eluded recession, with a quarterly annualized gain of 1.2% of real GDP following a 0.9% decline in Q2.
- ▶ China's main indicators continue to slow. All in all, global real GDP growth should go from 3.6% in 2018 to 3.1% in 2019 and 3.0% in 2020.
- ▶ Real GDP in the United States rose an annualized 1.9% in Q3. Growth in consumption was fairly good, but business investment declined 3.0%. Despite a job market that performed relatively well in October, real GDP growth is expected to be near 1.5% in Q4.
- ▶ The stance taken by the Federal Reserve and the Bank of Canada is in line with our scenarios, which call for North American key rates to hold at the current level until the end of 2020. However, expectations of monetary easing could resurface from time to time. Ongoing uncertainties are expected to limit stock market gains and maintain a low interest rate environment in the quarters ahead.
- ▶ Economic growth in Canada resumed at a more moderate pace after the strong advance observed in the spring. Assuming that real GDP by industry will rise about 0.1% in September, the entire third quarter could end with a gain of around 1.3%. Real GDP is still forecast to grow 1.6% for 2019 as a whole, followed by a 1.5% hike in 2020.
- ▶ Ontario's recent economic results remained fairly positive. Moreover, the employment trend is good, with the unemployment rate falling from 6.0% in April to just 5.3% in October. In addition, the housing market continues to climb, especially in Toronto. Our projections for the Ontario economy and that of the other provinces are essentially unchanged. Alberta continues to be affected by the difficulties in the oil sector.
- ▶ Quebec's economy is humming along at a faster pace compared with that of the other provinces. The hike in real GDP should reach 2.6% in 2019, for a third year of high growth. The surge in the residential sector is ongoing, and the labour market is strong, with the unemployment rate hovering at around 5%. The Quebec government's fiscal and budgetary leeway is also helping to stimulate the economy. Nonetheless, the increase in real GDP will slow to 1.7% next year, since international exports will still be affected by the difficulties in the global economy.

MAIN CHANGES

- ▶ The economic growth forecasts for Quebec are up slightly from those prepared in October. The forecast for 2019 rose from 2.5% to 2.6% and the one for 2020 from 1.5% to 1.7%.

CONTENTS

Highlights and Main Changes.....	1	Risks Inherent in our Scenarios	2	Financial Forecasts.....	3
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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. Escalating protectionism is helping maintain a high level of uncertainty around the world, including in Canada. 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. Despite the new Brexit agreement negotiated between the United Kingdom and the European Union, the possibility of a hard Brexit, which would have a negative impact on the economy and the markets, cannot be completely ruled out. In the United States, the policies of the Trump administration could cause the situation to deviate from our scenarios, either positively or negatively. The political uncertainty fed by the start of the impeachment process aimed at President Donald Trump could also affect the markets. Negative market sentiment could intensify to the point of causing financial conditions to tighten significantly, especially if the central banks appear to have no more ammunition at their disposal, if trade tensions continue to escalate, or if fears of a recession intensify. Higher-than-expected inflation would have major consequences for all financial markets. International oil prices could jump further if a major conflict were to break out in the Middle East, a prospect that seems more likely in the wake of the recent attacks on Saudi facilities. In Canada, concern over high household debt loads intensified recently, as the housing market began trending up again. A number of areas, including Montreal and Ottawa, are overheating, with sales and prices spiking. The sharp rise in the number of bidding wars in many areas on the Island of Montreal is also a source of concern.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2018	2019f	2020f	2018	2019f	2020f
Advanced economies	38.3	2.2	1.7	1.2	1.9	1.4	1.5
United States	15.2	2.9	2.3	1.6	2.4	1.8	1.9
Canada	1.3	2.0	1.6	1.5	2.3	1.9	1.7
<i>Quebec</i>	<i>0.3</i>	<i>2.5</i>	<i>2.6</i>	<i>1.7</i>	<i>1.7</i>	<i>1.9</i>	<i>1.6</i>
<i>Ontario</i>	<i>0.5</i>	<i>2.2</i>	<i>1.8</i>	<i>1.6</i>	<i>2.4</i>	<i>1.8</i>	<i>1.7</i>
Japan	4.3	0.8	1.0	0.1	1.0	0.6	0.6
United Kingdom	2.2	1.4	1.0	0.7	2.5	2.0	2.0
Euro zone	11.7	1.9	1.1	0.7	1.8	1.2	1.1
<i>Germany</i>	<i>3.3</i>	<i>1.5</i>	<i>0.6</i>	<i>0.6</i>	<i>1.7</i>	<i>1.4</i>	<i>1.4</i>
<i>France</i>	<i>2.3</i>	<i>1.7</i>	<i>1.3</i>	<i>0.9</i>	<i>1.9</i>	<i>1.2</i>	<i>1.2</i>
<i>Italy</i>	<i>1.9</i>	<i>0.7</i>	<i>0.2</i>	<i>0.2</i>	<i>1.1</i>	<i>0.7</i>	<i>0.9</i>
Other countries	3.9	1.5	1.0	1.0	1.1	0.9	0.9
<i>Australia</i>	<i>0.9</i>	<i>2.7</i>	<i>1.9</i>	<i>2.3</i>	<i>1.9</i>	<i>1.6</i>	<i>1.8</i>
Emerging and developing economies	61.7	4.5	3.9	4.0	4.7	4.2	3.9
North Asia	26.9	6.5	6.0	5.8	2.7	2.9	2.9
<i>China</i>	<i>18.3</i>	<i>6.6</i>	<i>6.2</i>	<i>5.9</i>	<i>2.1</i>	<i>2.5</i>	<i>2.4</i>
<i>India</i>	<i>7.4</i>	<i>6.8</i>	<i>6.1</i>	<i>6.1</i>	<i>4.0</i>	<i>3.5</i>	<i>3.9</i>
South Asia	5.3	4.9	4.3	4.3	2.4	2.1	2.5
Latin America	6.0	1.8	1.1	1.5	3.4	3.2	3.3
<i>Mexico</i>	<i>1.8</i>	<i>2.0</i>	<i>0.5</i>	<i>1.3</i>	<i>4.9</i>	<i>3.1</i>	<i>3.4</i>
<i>Brazil</i>	<i>2.5</i>	<i>1.1</i>	<i>0.9</i>	<i>1.0</i>	<i>2.9</i>	<i>3.4</i>	<i>3.6</i>
Eastern Europe	7.4	3.4	1.8	2.0	5.9	6.0	5.1
<i>Russia</i>	<i>3.0</i>	<i>2.3</i>	<i>1.1</i>	<i>1.3</i>	<i>2.9</i>	<i>3.9</i>	<i>3.8</i>
Other countries	16.0	2.3	2.1	2.7	10.9	7.6	6.8
<i>South Africa</i>	<i>0.6</i>	<i>0.7</i>	<i>0.6</i>	<i>1.2</i>	<i>4.5</i>	<i>4.3</i>	<i>4.7</i>
World	100.0	3.6	3.1	3.0	3.4	2.9	2.8

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 more positive sentiment has returned to financial markets in recent weeks as the hope of a trade agreement between China and the United States rose and a no-deal Brexit was averted once again. This helped North American stock markets to reach new heights. Despite this, on October 30 the Fed went ahead and lowered its key rates for the third time in a row. However, the Fed also signalled that its monetary policy is now appropriate, and that further easing will not be necessary unless the economic outlook deteriorates significantly. This stance, supported by some encouraging economic figures, caused U.S. bond yields to climb to their highest level since July. The Bank of Canada (BoC), for its part, continued to opt for the status quo, but it noted that the resilience of the Canadian economy had its limits, given the uncertainty at the international level. The Canadian dollar had surpassed US\$0.765 at the end of October, but the BoC's slightly more concerned tone caused it to drop back to close to US\$0.755. The stance taken by the Fed and the BoC is in line with our scenarios, which call for North American key rates to hold at the current level until the end of 2020. That said, expectations of monetary easing could resurface from time to time. Although it might be possible to continue avoiding worst-case scenarios, ongoing uncertainties are expected to limit stock market gains and maintain a low interest rate environment in the quarters ahead.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2018		2019				2020			
	Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	2.25	2.50	2.50	2.50	2.00	1.75	1.75	1.75	1.75	1.75
Canada	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.75	0.75	0.75	0.75	0.75	0.75	0.50	0.50	0.50	0.50
Federal bonds										
<u>United States</u>										
2-year	2.82	2.51	2.29	1.76	1.66	1.60	1.55	1.60	1.65	1.55
5-year	2.95	2.49	2.23	1.76	1.54	1.60	1.55	1.55	1.65	1.50
10-year	3.06	2.69	2.41	2.00	1.67	1.75	1.70	1.70	1.75	1.60
30-year	3.21	3.02	2.82	2.53	2.11	2.25	2.20	2.20	2.25	2.10
<u>Canada</u>										
2-year	2.21	1.86	1.55	1.47	1.58	1.55	1.55	1.60	1.65	1.55
5-year	2.33	1.88	1.52	1.39	1.40	1.45	1.45	1.50	1.60	1.50
10-year	2.42	1.96	1.62	1.46	1.37	1.45	1.50	1.55	1.65	1.50
30-year	2.41	2.18	1.90	1.68	1.53	1.60	1.65	1.70	1.80	1.65
Currency market										
Canadian dollar (USD/CAD)	1.29	1.36	1.33	1.31	1.32	1.33	1.33	1.32	1.30	1.32
Canadian dollar (CAD/USD)	0.77	0.73	0.75	0.76	0.76	0.75	0.75	0.76	0.77	0.76
Euro (EUR/USD)	1.16	1.14	1.12	1.14	1.09	1.09	1.08	1.09	1.10	1.09
British pound (GBP/USD)	1.30	1.27	1.30	1.27	1.23	1.27	1.24	1.25	1.26	1.25
Yen (USD/JPY)	114	110	111	108	108	107	105	106	107	106
Stock markets (level and growth)*										
United States – S&P 500	2,507		Target: 3,075 (+22.7%)				Target: 3,210 (+4.4%)			
Canada – S&P/TSX	14,323		Target: 16,800 (+17.3%)				Target: 17,650 (+5.1%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	65 (45*)		57 (57*)				53 (48*)			
Gold (US\$/ounce)	1,269 (1,280*)		1,390 (1,450*)				1,365 (1,350*)			

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)	2019				2020		ANNUAL AVERAGE			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	2017	2018	2019f	2020f
Real GDP (2012 US\$)	3.1	2.0	1.9	1.4	1.5	1.6	2.4	2.9	2.3	1.6
Personal consumption expenditures	1.1	4.6	2.9	2.0	1.6	1.9	2.6	3.0	2.6	2.1
Residential construction	-1.0	-3.0	5.1	4.8	2.6	1.7	3.5	-1.5	-1.6	2.1
Business fixed investment	4.4	-1.0	-3.0	-0.8	0.9	0.9	4.4	6.4	2.1	0.2
Inventory change (US\$B)	116.0	69.4	69.0	45.0	35.0	30.0	31.7	48.1	74.9	25.0
Public expenditures	2.9	4.8	2.0	1.6	1.9	2.2	0.7	1.7	2.3	2.1
Exports	4.1	-5.7	0.7	1.5	-3.0	-1.0	3.5	3.0	-0.1	-0.9
Imports	-1.5	0.0	1.2	0.0	-3.0	0.5	4.7	4.4	1.5	-0.3
Final domestic demand	1.8	3.6	2.0	1.6	1.6	1.8	2.5	3.0	2.3	1.8
Other indicators										
Nominal GDP	3.9	4.7	3.5	3.3	4.0	3.4	4.3	5.4	4.1	3.7
Employment according to establishments	1.7	1.2	1.4	1.3	1.0	1.4	1.6	1.7	1.6	1.1
Unemployment rate (%)	3.9	3.6	3.6	3.6	3.7	3.7	4.4	3.9	3.7	3.7
Housing starts ¹ (thousands of units)	1,213	1,256	1,282	1,295	1,297	1,302	1,209	1,250	1,262	1,282
Total inflation rate*	1.6	1.8	1.8	1.9	2.3	1.8	2.1	2.4	1.8	1.9
Core inflation rate* ³	2.1	2.1	2.3	2.3	2.5	2.6	1.8	2.1	2.2	2.4

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)	2019				2020		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2017	2018	2019f	2020f
Real GDP (2012 \$)	0.5	3.7	1.3	1.6	1.2	1.4	3.2	2.0	1.6	1.5
Final consumption expenditure [of which:]	2.4	1.1	1.8	1.8	1.8	1.7	3.2	2.4	1.8	1.7
Household consumption expenditure	2.9	0.5	1.6	1.6	1.7	1.6	3.7	2.2	1.6	1.5
Governments consumption expenditure	1.3	2.5	2.2	2.5	2.0	2.0	2.3	3.0	2.2	2.2
Gross fixed capital formation [of which:]	5.8	-6.6	0.2	0.0	0.8	1.0	3.6	1.2	-2.5	0.4
Residential structures	-3.9	5.5	3.7	3.2	3.0	2.2	2.2	-1.6	-1.8	2.9
Non-residential structures	-3.0	-1.8	-3.0	-3.0	-1.0	-0.5	0.6	-0.6	-5.8	-1.0
Machinery and equipment	42.9	-32.4	-5.0	-5.0	-3.0	-1.0	9.7	4.7	-1.7	-4.5
Intellectual property products	-5.1	2.3	2.0	2.5	3.5	3.5	2.1	3.9	1.4	2.9
Governments gross fixed capital formation	10.3	-7.8	2.5	2.0	2.0	1.5	6.3	5.2	-1.5	1.3
Investment in inventories (2012 \$B)	19.5	14.0	19.5	20.0	19.0	20.0	18.0	13.0	18.3	19.4
Exports	-3.3	13.4	-0.3	1.8	1.5	1.5	1.4	3.1	2.5	2.0
Imports	8.7	-4.0	3.0	1.5	2.0	2.5	4.2	2.6	0.9	1.7
Final domestic demand	3.2	-0.7	1.5	1.4	1.6	1.6	3.3	2.1	0.8	1.4
Other indicators										
Nominal GDP	5.7	8.3	2.5	2.4	2.7	3.4	5.7	3.9	3.6	3.1
Employment	2.9	3.0	1.2	1.7	0.9	0.9	1.9	1.3	2.2	1.3
Unemployment rate (%)	5.8	5.5	5.6	5.6	5.5	5.5	6.3	5.8	5.6	5.5
Housing starts ¹ (thousands of units)	187	224	223	211	217	219	220	213	211	220
Total inflation rate*	1.6	2.1	1.9	1.8	1.7	1.4	1.6	2.3	1.9	1.7
Core inflation rate* ³	1.9	2.3	2.2	1.8	1.7	1.7	1.6	1.9	2.0	1.7

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)	2016	2017	2018	2019f	2020f
Real GDP (2012 \$)	1.6	2.8	2.5	2.6	1.7
Final consumption expenditure [of which:]	2.3	2.9	2.3	2.3	1.9
Household consumption expenditure	2.2	3.3	2.2	2.0	1.7
Governments consumption expenditure	2.1	2.3	2.5	3.0	2.5
Gross fixed capital formation [of which:]	-1.7	7.5	3.5	2.5	0.9
Residential structures	3.8	7.3	4.0	3.8	0.5
Non-residential structures	-1.2	1.1	-0.9	-1.0	0.8
Machinery and equipment	-5.6	19.0	-1.6	1.3	0.1
Intellectual property products	3.4	3.7	4.6	3.8	1.5
Governments gross fixed capital formation	-9.4	8.2	9.4	3.5	2.0
Investment in inventories (2012 \$B)	-936	4,986	2,780	3,000	2,500
Exports	0.2	0.8	4.2	1.3	1.3
Imports	-0.4	6.0	2.8	0.5	1.1
Final domestic demand	1.5	3.8	2.5	2.3	1.7
Other indicators					
Nominal GDP	3.0	5.0	4.8	5.0	3.9
Real disposable personal income	1.7	4.3	2.8	2.7	2.1
Weekly earnings	1.2	2.8	3.2	3.0	3.0
Employment	0.9	2.2	0.9	2.0	1.3
Unemployment rate (%)	7.1	6.1	5.5	4.9	4.5
Personal saving rate (%)	4.9	5.7	6.2	6.5	6.6
Retail sales	6.6	5.5	2.9	2.3	2.0
Housing starts ¹ (thousands of units)	38.9	46.5	46.9	50.0	47.0
Total inflation rate	0.7	1.0	1.7	1.9	1.6

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)	2016	2017	2018	2019f	2020f
Real GDP (2012 \$)	2.1	2.9	2.2	1.8	1.6
Final consumption expenditure [of which:]	2.3	3.5	2.8	2.0	2.0
Household consumption expenditure	2.4	4.1	2.5	2.0	2.0
Governments consumption expenditure	1.3	2.0	3.7	2.1	2.2
Gross fixed capital formation [of which:]	-0.3	4.4	2.0	-3.0	0.7
Residential structures	7.8	0.6	-3.3	-5.0	2.7
Non-residential structures	-7.7	3.2	1.0	-5.4	-0.7
Machinery and equipment	-12.0	13.9	11.5	-2.4	-4.3
Intellectual property products	2.9	1.9	2.9	1.8	2.7
Governments gross fixed capital formation	1.0	7.9	6.2	0.0	1.9
Investment in inventories (2012 \$B)	1,403	7,306	7,424	7,245	4,823
Exports	1.4	0.4	0.9	2.8	2.1
Imports	0.6	3.1	1.6	1.2	1.6
Final domestic demand	1.7	3.7	2.6	0.9	1.7
Other indicators					
Nominal GDP	4.0	4.6	3.7	4.0	3.8
Real disposable personal income	0.7	3.5	2.8	2.0	2.3
Weekly earnings	1.1	1.9	2.9	2.8	2.6
Employment	1.1	1.8	1.6	2.8	1.6
Unemployment rate (%)	6.5	6.0	5.6	5.5	5.5
Personal saving rate (%)	0.1	-0.6	-0.6	0.0	0.5
Retail sales	6.9	7.7	4.4	2.7	2.9
Housing starts ¹ (thousands of units)	75.0	79.1	78.7	71.9	79.8
Total inflation rate*	1.8	1.7	2.4	1.8	1.7

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)	2016	2017	2018	2019f	2020f
Real GDP growth – Canada	1.0	3.2	2.0	1.6	1.5
Atlantic	1.4	1.6	-0.1	1.5	0.9
Quebec	1.6	2.8	2.5	2.6	1.7
Ontario	2.1	2.9	2.2	1.8	1.6
Manitoba	1.4	3.1	1.3	1.2	1.3
Saskatchewan	-0.1	1.7	1.3	0.7	1.4
Alberta	-3.5	4.8	1.6	0.7	1.6
British Columbia	2.8	3.7	2.6	1.7	1.8
Total inflation rate – Canada	1.4	1.6	2.3	1.9	1.7
Atlantic	1.9	1.9	2.0	1.4	1.5
Quebec	0.7	1.0	1.7	1.9	1.6
Ontario	1.8	1.7	2.4	1.8	1.7
Manitoba	1.3	1.6	2.5	2.1	1.7
Saskatchewan	1.1	1.7	2.3	1.6	1.7
Alberta	1.1	1.6	2.4	1.6	1.8
British Columbia	1.8	2.1	2.7	2.4	2.0
Employment growth – Canada	0.7	1.9	1.3	2.2	1.3
Atlantic	-0.7	-0.2	1.0	1.6	0.8
Quebec	0.9	2.2	0.9	2.0	1.3
Ontario	1.1	1.8	1.6	2.8	1.6
Manitoba	-0.4	1.7	0.6	1.0	0.7
Saskatchewan	-0.9	-0.2	0.4	1.7	0.7
Alberta	-1.6	1.0	1.9	0.6	1.2
British Columbia	3.2	3.7	1.1	2.8	1.5
Unemployment rate – Canada	7.0	6.3	5.8	5.6	5.5
Atlantic	9.9	9.7	9.1	8.5	8.5
Quebec	7.1	6.1	5.5	4.9	4.5
Ontario	6.5	6.0	5.6	5.5	5.5
Manitoba	6.1	5.4	6.0	5.2	5.2
Saskatchewan	6.3	6.3	6.1	5.3	5.2
Alberta	8.1	7.8	6.6	6.8	6.6
British Columbia	6.0	5.1	4.7	4.6	4.5
Retail sales growth – Canada	5.2	7.1	2.9	1.8	2.7
Atlantic	3.0	6.2	0.3	2.3	2.2
Quebec	6.6	5.5	2.9	2.3	2.0
Ontario	6.9	7.7	4.4	2.7	2.9
Manitoba	3.7	7.8	2.9	2.5	2.2
Saskatchewan	1.5	4.1	-0.3	-0.3	2.5
Alberta	-1.1	7.1	2.0	0.0	2.6
British Columbia	7.7	9.3	2.0	0.7	3.2
Housing starts – Canada (thousands of units)	197.9	219.8	212.8	211.1	220.4
Atlantic	7.6	8.6	9.3	9.1	9.1
Quebec	38.9	46.5	46.9	50.0	47.0
Ontario	75.0	79.1	78.7	71.9	79.8
Manitoba	5.3	7.5	7.4	7.1	7.1
Saskatchewan	4.8	4.9	3.6	2.5	2.8
Alberta	24.5	29.5	26.1	26.5	28.0
British Columbia	41.8	43.7	40.9	44.0	46.6

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	2014–2018	2019–2023f
United States									
Real GDP (var. in %)	2.4	2.9	2.3	1.6	1.3	1.8	2.4	2.5	1.9
Total inflation rate (var. in %)	2.1	2.4	1.8	1.9	1.4	1.6	1.8	1.5	1.7
Unemployment rate	4.4	3.9	3.7	3.7	4.2	4.4	4.5	4.9	4.1
S&P 500 index (var. in %) ¹	19.4	-6.2	22.7	4.4	-7.2	8.0	7.0	6.7	7.0
Federal funds rate	1.10	1.90	2.30	1.75	1.35	1.25	1.55	0.80	1.64
Prime rate	4.10	4.90	5.30	4.75	4.35	4.25	4.55	3.80	4.64
Treasury bills – 3-month	0.95	1.97	2.10	1.65	1.20	1.15	1.50	0.66	1.52
Federal bonds – 10-year	2.33	2.91	2.15	1.70	1.45	1.70	2.20	2.35	1.84
– 30-year	2.89	3.11	2.60	2.20	1.95	2.15	2.55	2.96	2.29
WTI oil (US\$/barrel)	51	65	57	53	46	52	55	60	53
Gold (US\$/ounce)	1,258	1,269	1,390	1,365	1,355	1,335	1,270	1,240	1,343
Canada									
Real GDP (var. in %)	3.2	2.0	1.6	1.5	1.2	1.7	2.1	1.9	1.6
Total inflation rate (var. in %)	1.6	2.3	1.9	1.7	1.4	1.6	1.8	1.7	1.7
Employment (var. in %)	1.9	1.3	2.2	1.3	0.7	1.0	1.2	1.1	1.3
Employment (thousands)	337	241	402	248	143	188	244	193	245
Unemployment rate	6.3	5.8	5.6	5.5	6.1	6.0	5.8	6.6	5.8
Housing starts (thousands of units)	220	213	211	220	190	195	205	203	204
S&P/TSX index (var. in %) ¹	6.0	-11.6	17.3	5.1	-7.6	9.0	8.0	1.6	6.3
Exchange rate (US\$/C\$)	0.77	0.77	0.75	0.76	0.75	0.77	0.77	0.80	0.76
Overnight funds	0.70	1.40	1.75	1.75	1.45	1.25	1.30	0.85	1.50
Prime rate	2.90	3.61	3.95	3.95	3.65	3.45	3.50	3.00	3.70
Mortgage rate – 1-year	3.16	3.47	3.65	3.65	3.60	3.50	3.50	3.18	3.58
– 5-year	4.76	5.26	5.25	5.15	5.05	4.95	5.00	4.85	5.08
Treasury bills – 3-month	0.69	1.37	1.65	1.70	1.35	1.20	1.35	0.80	1.45
Federal bonds – 2-year	1.09	1.99	1.60	1.60	1.30	1.30	1.60	1.05	1.48
– 5-year	1.37	2.15	1.50	1.50	1.30	1.40	1.75	1.34	1.49
– 10-year	1.78	2.28	1.60	1.55	1.35	1.55	1.85	1.81	1.58
– 30-year	2.28	2.36	1.80	1.70	1.55	1.75	2.05	2.31	1.77
<u>Yield spreads (Canada—United States)</u>									
Treasury bills – 3-month	-0.26	-0.60	-0.45	0.05	0.15	0.05	-0.15	0.13	-0.07
Federal bonds – 10-year	-0.55	-0.63	-0.55	-0.15	-0.10	-0.15	-0.35	-0.54	-0.26
– 30-year	-0.61	-0.75	-0.80	-0.50	-0.40	-0.40	-0.50	-0.65	-0.52
Quebec									
Real GDP (var. in %)	2.8	2.5	2.6	1.7	1.2	1.5	1.8	1.8	1.8
Total inflation rate (var. in %)	1.0	1.7	1.9	1.6	1.4	1.6	1.8	1.2	1.7
Employment (var. in %)	2.2	0.9	2.0	1.3	0.4	0.6	0.8	1.0	1.0
Employment (thousands)	90	39	80	60	20	25	35	40	44
Unemployment rate	6.1	5.5	4.9	4.5	4.9	4.7	4.5	6.8	4.7
Retail sales (var. in %)	5.5	2.9	2.3	2.0	1.0	1.8	2.5	3.9	1.9
Housing starts (thousands of units)	46	47	50	47	38	40	42	42	43
Ontario									
Real GDP (var. in %)	2.9	2.2	1.8	1.6	1.3	1.8	2.0	2.5	1.7
Total inflation rate (var. in %)	1.7	2.4	1.8	1.7	1.5	1.7	1.9	1.9	1.7
Employment (var. in %)	1.8	1.6	2.8	1.6	0.8	1.2	1.3	1.2	1.5
Employment (thousands)	128	114	201	117	60	91	100	84	114
Unemployment rate	6.0	5.6	5.5	5.5	6.1	6.0	5.8	6.4	5.8
Retail sales (var. in %)	7.7	4.4	2.7	2.9	2.5	3.0	5.0	6.0	3.2
Housing starts (thousands of units)	79	79	72	80	68	72	75	72	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