

ECONOMIC & FINANCIAL OUTLOOK

The Coronavirus Will Affect an Already Fragile World Economy

HIGHLIGHTS

- ▶ We are still waiting for the global economy to return to stronger growth. The annualized results for the fourth quarter real GDP were disappointing in several countries, including France (-0.3%), Italy (-1.3%), the United Kingdom (+0.1%), Germany (+0.1%) and, in particular, Japan (-6.3%).
- ▶ In the United States, certain indicators improved at the start of 2020, particularly the ISM indexes, and job growth remains lively. Annualized real GDP growth was 2.1% in the last quarter of 2019, and 2.3% for the year. Real GDP growth of 1.8% is still expected for 2020.
- ▶ Hope that the authorities would manage to curb the spread of the coronavirus epidemic and that central banks were ready to step in to support the economy made the stock markets rebound quickly in February. The rebound in sentiment seems a little early, and other jolts can be expected in the near term. However, if the epidemic has no lasting impact on the North American economies, rate cut expectations should gradually decline and trigger a rise in bond yields.
- ▶ Canada saw several temporary difficulties at the end of 2019, so real GDP growth is expected to be almost flat for the fourth quarter. The rebound anticipated in early 2020 could be limited, as new obstacles have materialized, such as an interruption in rail transportation. The growth forecast for 2020 has been trimmed.
- ▶ Quebec's real GDP fell 0.4% in October after posting very positive performances in the previous months. The last quarter of 2019 will therefore be relatively soft and could well be the start of a slow period. We are maintaining our growth forecast for 2020 at 1.7%, a slower pace than last year's, which was about 3%.
- ▶ For the other provinces, the recent drop in oil prices should slow recovery by the economies of Alberta and Newfoundland and Labrador. Ontario's economic growth should also be slower at the end of 2019 and start of 2020. Ontario's economic outlook is still stronger than Canada's this year.

THE CORONAVIRUS'S (COVID-19) IMPACTS ON THE SCENARIOS

The new coronavirus epidemic, which started in China, will have negative impacts on the economy in the near term. The scenarios have been adjusted based on minimum likely impacts, but there is a lot of uncertainty, and everything depends on how the disease evolves and spreads. The consequences will be the heaviest for China; the real GDP growth forecast for 2020 has been lowered from 5.9% to 5.5%. The effects will also be felt elsewhere, particularly through tourism and the declines in Chinese output and demand. Compared with the 2003 SARS epidemic, the fallout is intensified by China's greater importance in global GDP and supply chains. The 2020 growth forecasts for other Asian countries have also been trimmed. Negative impacts can be expected in the first quarter for Europe, the United States and Canada, but the real GDP growth forecasts for 2020 are essentially the same. The situation will get some help from the drop in bond yields and decrease in gas prices. Global GDP growth has been revised from 3.0% to 2.9%.

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RISKS INHERENT TO OUR SCENARIOS

A number of factors could cause a faster and more serious reversal of the economic situation than anticipated. The outbreak of a new coronavirus in China is one of these factors. Despite an initial agreement between China and the United States, the continuing trade tensions are contributing to the high degree of uncertainty around the world, including in Canada. Moreover, the agreement could introduce distortions into the trade relationship between these two countries and their other partners. Geopolitical issues continue to weigh on the global economic situation, as do the risks associated with climate events and pandemics. Financial imbalances are still a consideration in a number of regions, including Europe and in emerging economies like China's. In the United Kingdom, we cannot rule out difficulties in the negotiations that are beginning over the future trade ties between the British and the Europeans after the transition period. 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 looming election in November 2020 could also affect the markets. The return of negative sentiment in the financial markets could lead to substantially tighter financial conditions, particularly if the coronavirus epidemic expands outside China. Higher-than-expected inflation would have major consequences for all financial markets. Tension between the United States and Iran shot up in early 2020, and a major conflict in the Middle East could push international oil prices higher. In Canada, concerns over high household debt loads intensified recently, as the housing market began trending up again. Some areas, particularly Montreal, Gatineau and Ottawa, are overheating, with sales and prices spiking. Toronto and Vancouver are poised to start overheating again following the 2017–2018 correction.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2019f	2020f	2021f	2019	2020f	2021f
Advanced economies	37.8	1.7	1.3	1.1	1.4	1.4	1.3
United States	15.1	2.3	1.8	1.5	1.8	1.8	1.7
Canada	1.3	1.6	1.4	1.3	1.9	1.7	1.4
<i>Quebec</i>	0.3	2.9	1.7	1.2	2.1	1.9	1.7
<i>Ontario</i>	0.5	1.7	1.6	1.4	1.9	1.7	1.5
Japan	4.0	0.8	-0.1	0.4	0.5	0.5	0.4
United Kingdom	2.2	1.4	1.0	0.0	1.8	1.6	1.8
Euro zone	11.6	1.2	0.9	0.7	1.2	1.2	0.9
<i>Germany</i>	3.3	0.6	0.6	0.7	1.4	1.4	1.2
<i>France</i>	2.2	1.2	0.9	0.7	1.1	1.1	1.1
<i>Italy</i>	1.8	0.2	0.2	0.1	0.6	0.7	0.9
Other countries	3.9	1.0	1.0	0.9	0.9	0.9	0.7
<i>Australia</i>	0.9	1.8	1.9	2.1	1.6	1.8	1.4
Emerging and developing economies	62.2	3.7	3.8	4.1	3.9	3.5	2.8
North Asia	27.6	5.6	5.5	5.8	3.2	3.3	2.6
<i>China</i>	18.6	6.1	5.5	5.7	2.9	3.0	2.0
<i>India</i>	7.7	5.0	5.9	6.3	3.7	3.9	4.0
South Asia	5.4	4.2	4.1	4.2	1.9	2.2	2.4
Latin America	5.9	1.0	1.5	1.7	3.5	3.3	3.2
<i>Mexico</i>	1.8	0.0	0.8	1.1	3.6	3.3	3.2
<i>Brazil</i>	2.5	1.1	1.5	1.8	3.8	3.7	3.5
Eastern Europe	7.5	1.9	2.3	2.3	6.6	5.3	5.1
<i>Russia</i>	3.0	1.2	1.5	1.6	4.5	3.6	3.7
Other countries	15.9	2.0	2.4	2.7	6.8	5.7	4.2
<i>South Africa</i>	0.6	0.5	0.9	1.2	4.2	4.5	4.0
World	100.0	2.9	2.9	3.0	2.9	2.7	2.2

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2018.

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

FINANCIAL FORECASTS

The coronavirus epidemic has also grabbed investors' attention. The virus's appearance in China took the stock markets down sharply worldwide at the end of January. The main U.S. indexes then completely wiped out the heavy gains recorded in the early weeks of January. Bond yields also plunged as investors fled to safe-haven securities and even started expecting monetary easing in North America. The Federal Reserve's Chair confirmed that he was keeping a close eye on the emergence of the coronavirus. Hope that the authorities would manage to curb the spread of the epidemic and that central banks were ready to step in to support the economy made the stock markets rebound quickly in February. Bond yields still remain much lower than they were at the end of 2019, reflecting the concerned stance taken by central banks, particularly in Canada. Commodity prices could also remain low, given the magnitude of Chinese demand. The International Energy Agency has just cut the growth forecast for 2020 oil demand by about 30%. In this context, the Canadian dollar closed in on US\$0.75. The stock market's renewed optimism seems a little early, and other jolts can be expected in the near term. However, if the epidemic has no lasting impact on the North American economies, rate cut expectations should gradually decline and trigger a rise in bond yields.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2019		2020				2021			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	2.00	1.75	1.75	1.75	1.75	1.75	1.50	1.25	1.25	1.25
Canada	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.25	1.25
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	0.50	0.25	0.25	0.25	0.25
Federal bonds										
<u>United States</u>										
2-year	1.66	1.58	1.50	1.65	1.75	1.65	1.35	1.20	1.20	1.20
5-year	1.54	1.68	1.50	1.70	1.80	1.65	1.35	1.25	1.30	1.35
10-year	1.67	1.92	1.65	1.85	2.00	1.85	1.50	1.40	1.45	1.50
30-year	2.11	2.39	2.10	2.30	2.40	2.25	1.95	1.90	1.95	2.00
<u>Canada</u>										
2-year	1.58	1.69	1.55	1.65	1.75	1.65	1.45	1.30	1.25	1.25
5-year	1.40	1.68	1.40	1.60	1.75	1.65	1.35	1.25	1.25	1.30
10-year	1.37	1.70	1.40	1.60	1.80	1.65	1.35	1.30	1.35	1.40
30-year	1.53	1.76	1.55	1.75	1.90	1.80	1.55	1.50	1.55	1.60
Currency market										
Canadian dollar (USD/CAD)	1.32	1.30	1.32	1.30	1.30	1.32	1.33	1.33	1.32	1.32
Canadian dollar (CAD/USD)	0.76	0.77	0.76	0.77	0.77	0.76	0.75	0.75	0.76	0.76
Euro (EUR/USD)	1.09	1.12	1.09	1.11	1.10	1.09	1.08	1.09	1.10	1.11
British pound (GBP/USD)	1.23	1.32	1.30	1.30	1.29	1.28	1.26	1.27	1.28	1.30
Yen (USD/JPY)	108	109	110	111	110	108	106	107	108	109
Stock markets (level and growth)*										
United States – S&P 500	3,231		Target: 3,375 (+4.5%)				Target: 3,150 (-6.7%)			
Canada – S&P/TSX	17,063		Target: 17,900 (+4.9%)				Target: 16,500 (-7.8%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	57 (61*)		53 (48*)				46 (49*)			
Gold (US\$/ounce)	1,393 (1,521*)		1,490 (1,460*)				1,490 (1,500*)			

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			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2018	2019	2020f	2021f
Real GDP (2012 US\$)	2.1	2.1	1.6	1.8	2.0	1.5	2.9	2.3	1.8	1.5
Personal consumption expenditures	3.1	1.8	2.0	2.0	2.0	1.7	3.0	2.6	2.2	1.5
Residential construction	4.6	5.8	17.1	3.8	-3.7	-2.9	-1.5	-1.5	5.6	-1.3
Business fixed investment	-2.3	-1.5	-1.0	1.4	2.6	1.7	6.4	2.1	-0.2	2.3
Inventory change (US\$B)	69.4	6.5	0.0	10.0	25.0	25.0	48.1	65.3	15.0	25.0
Public expenditures	1.7	2.7	1.6	1.8	1.8	1.6	1.7	2.3	2.1	1.6
Exports	0.9	1.4	-0.5	2.5	2.5	3.0	3.0	0.0	0.9	2.7
Imports	1.8	-8.7	1.5	3.0	2.0	1.5	4.4	1.0	-0.2	2.0
Final domestic demand	2.2	1.6	2.1	2.0	1.8	1.5	3.0	2.3	2.0	1.5
Other indicators										
Nominal GDP	3.8	3.6	3.9	3.4	4.4	3.4	5.4	4.1	3.8	3.4
Employment according to establishments	1.5	1.6	1.5	1.6	0.7	1.0	1.6	1.4	1.4	0.9
Unemployment rate (%)	3.6	3.5	3.6	3.5	3.4	3.5	3.9	3.7	3.5	3.8
Housing starts ¹ (thousands of units)	1,282	1,449	1,481	1,417	1,387	1,372	1,250	1,300	1,414	1,355
Total inflation rate*	1.8	2.0	2.2	1.7	1.8	1.5	2.4	1.8	1.8	1.7
Core inflation rate* ³	2.3	2.3	2.2	2.2	2.1	2.0	2.1	2.2	2.1	1.9

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			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2018	2019f	2020f	2021f
Real GDP (2012 \$)	1.3	0.4	1.5	1.9	1.3	1.1	2.0	1.6	1.4	1.3
Final consumption expenditure [of which:]	1.4	0.7	1.7	1.8	1.6	1.4	2.4	1.7	1.4	1.6
Household consumption expenditure	1.6	0.4	1.7	1.6	1.3	0.9	2.2	1.5	1.3	1.3
Governments consumption expenditure	0.8	1.5	1.7	2.0	2.5	2.5	3.0	2.3	1.8	2.3
Gross fixed capital formation [of which:]	9.9	-1.3	2.1	2.0	2.1	1.9	1.2	-0.3	2.1	1.6
Residential structures	13.3	-0.3	3.0	2.2	2.2	1.6	-1.6	-0.7	3.4	1.7
Non-residential structures	11.1	-5.0	1.0	2.0	2.0	1.0	-0.6	0.6	1.6	0.9
Machinery and equipment	7.0	-3.0	1.5	2.0	2.5	3.5	4.7	0.7	0.0	1.8
Intellectual property products	6.0	2.5	3.5	3.5	3.0	2.0	3.9	-3.9	3.6	2.2
Governments gross fixed capital formation	6.9	2.0	2.0	1.0	1.5	2.0	5.2	-0.5	1.7	2.0
Investment in inventories (2012 \$B)	4.2	5.0	4.0	5.0	4.5	4.5	13.0	10.6	4.5	4.4
Exports	-1.5	-4.1	1.0	2.5	1.0	0.5	3.1	1.7	0.6	1.2
Imports	0.1	-3.8	1.3	2.5	2.0	1.5	2.6	0.3	0.2	2.0
Final domestic demand	3.2	0.3	1.8	1.8	1.7	1.5	2.1	1.3	1.6	1.6
Other indicators										
Nominal GDP	1.6	1.4	2.5	4.4	2.8	2.1	3.9	3.4	2.9	2.7
Employment	1.1	0.5	1.1	1.2	1.0	1.0	1.3	2.1	1.1	0.6
Unemployment rate (%)	5.6	5.7	5.6	5.7	5.7	5.8	5.8	5.7	5.7	6.1
Housing starts ¹ (thousands of units)	223	202	205	208	215	223	213	209	213	192
Total inflation rate*	1.9	2.1	2.1	1.5	1.6	1.7	2.3	1.9	1.7	1.4
Core inflation rate* ³	2.2	1.9	1.8	1.8	1.5	1.8	1.9	2.0	1.8	1.9

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)	2017	2018	2019f	2020f	2021f
Real GDP (2012 \$)	2.8	2.5	2.9	1.7	1.2
Final consumption expenditure [of which:]	2.9	2.3	2.4	1.9	1.5
Household consumption expenditure	3.3	2.2	1.9	1.9	1.3
Governments consumption expenditure	2.3	2.5	3.7	2.0	1.9
Gross fixed capital formation [of which:]	7.5	3.5	3.0	1.0	-0.8
Residential structures	7.3	4.0	3.6	-0.3	-3.6
Non-residential structures	1.1	-0.9	4.1	1.0	0.3
Machinery and equipment	19.0	-1.6	2.2	-0.1	0.4
Intellectual property products	3.7	4.6	-2.8	2.3	1.5
Governments gross fixed capital formation	8.2	9.4	4.0	3.6	1.1
Investment in inventories (2012 \$B)	562	1,984	2,126	3,250	3,000
Exports	0.8	4.2	1.6	1.0	0.7
Imports	6.0	2.8	0.2	0.5	0.3
Final domestic demand	3.8	2.5	2.5	1.7	1.0
Other indicators					
Nominal GDP	5.0	4.8	4.7	3.8	3.2
Real disposable personal income	4.3	2.8	4.1	2.7	2.2
Weekly earnings	2.8	3.2	3.4	3.6	3.3
Employment	2.2	0.9	1.8	0.8	0.5
Unemployment rate (%)	6.1	5.5	5.1	4.7	5.0
Personal saving rate (%)	5.7	6.2	8.6	10.3	10.9
Retail sales	5.5	2.9	2.1	1.7	1.0
Housing starts ¹ (thousands of units)	46.5	46.9	48.0	45.0	40.0
Total inflation rate	1.0	1.7	2.1	1.9	1.7

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)	2017	2018	2019f	2020f	2021f
Real GDP (2012 \$)	2.9	2.2	1.7	1.6	1.4
Final consumption expenditure [of which:]	3.5	2.8	2.1	1.9	1.9
Household consumption expenditure	4.1	2.5	1.8	2.0	1.5
Governments consumption expenditure	2.0	3.7	2.8	1.8	2.8
Gross fixed capital formation [of which:]	4.4	2.0	-1.4	2.4	1.5
Residential structures	0.6	-3.3	-2.4	4.6	1.2
Non-residential structures	3.2	1.0	1.1	1.9	1.4
Machinery and equipment	13.9	11.5	-1.3	-2.0	1.2
Intellectual property products	1.9	2.9	-2.4	3.5	1.6
Governments gross fixed capital formation	7.9	6.2	1.0	2.3	2.7
Investment in inventories (2012 \$B)	7,306	7,424	4,926	1,468	230
Exports	0.4	0.9	2.4	1.1	1.1
Imports	3.1	1.6	1.2	0.7	1.6
Final domestic demand	3.7	2.6	1.4	2.0	1.8
Other indicators					
Nominal GDP	4.6	3.7	3.8	3.8	2.8
Real disposable personal income	3.6	2.7	2.6	2.6	2.0
Weekly earnings	1.9	2.9	2.4	2.2	2.3
Employment	1.8	1.6	2.9	1.6	0.7
Unemployment rate (%)	6.0	5.6	5.6	5.6	6.0
Personal saving rate (%)	-0.6	-0.6	0.3	0.5	1.0
Retail sales	7.7	4.4	2.8	1.9	2.2
Housing starts ¹ (thousands of units)	79.1	78.7	69.0	74.0	66.0
Total inflation rate*	1.7	2.4	1.9	1.7	1.5

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)	2017	2018	2019	2020f	2021f
Real GDP growth – Canada	3.2	2.0	1.6	1.4	1.3
Atlantic	1.6	-0.1	1.5	0.9	1.0
Quebec	2.8	2.5	2.9	1.7	1.2
Ontario	2.9	2.2	1.7	1.6	1.4
Manitoba	3.1	1.3	1.2	1.3	1.2
Saskatchewan	1.7	1.3	0.7	1.0	1.3
Alberta	4.8	1.6	0.7	1.2	1.2
British Columbia	3.7	2.6	1.8	1.6	1.5
Total inflation rate – Canada	1.6	2.3	1.9	1.7	1.4
Atlantic	1.9	2.0	1.5	1.3	1.2
Quebec	1.0	1.7	2.1	1.9	1.7
Ontario	1.7	2.4	1.9	1.7	1.5
Manitoba	1.6	2.5	2.2	1.7	1.4
Saskatchewan	1.7	2.3	1.7	1.6	1.3
Alberta	1.6	2.4	1.8	1.6	1.3
British Columbia	2.1	2.7	2.3	1.8	1.5
Employment growth – Canada	1.9	1.3	2.1	1.1	0.6
Atlantic	-0.2	1.0	1.5	0.7	0.5
Quebec	2.2	0.9	1.8	0.8	0.5
Ontario	1.8	1.6	2.9	1.6	0.7
Manitoba	1.7	0.6	0.9	0.6	0.5
Saskatchewan	-0.2	0.4	1.8	0.6	0.5
Alberta	1.0	1.9	0.5	0.9	0.8
British Columbia	3.7	1.1	2.6	1.4	1.0
Unemployment rate – Canada	6.3	5.8	5.7	5.7	6.1
Atlantic	9.7	9.1	8.5	8.8	9.3
Quebec	6.1	5.5	5.1	4.7	5.0
Ontario	6.0	5.6	5.6	5.6	6.0
Manitoba	5.4	6.0	5.3	5.4	6.0
Saskatchewan	6.3	6.1	5.4	5.7	6.1
Alberta	7.8	6.6	6.9	7.0	7.3
British Columbia	5.1	4.7	4.7	4.9	5.1
Retail sales growth – Canada	7.1	2.9	1.7	2.1	2.0
Atlantic	6.2	0.3	2.1	2.0	1.9
Quebec	5.5	2.9	2.1	1.7	1.0
Ontario	7.7	4.4	2.8	1.9	2.2
Manitoba	7.8	2.9	1.7	2.2	2.0
Saskatchewan	4.1	-0.3	-0.5	2.4	2.2
Alberta	7.1	2.0	-1.0	2.5	2.5
British Columbia	9.3	2.0	0.7	2.9	2.7
Housing starts – Canada (thousands of units)	219.8	212.8	208.7	212.6	192.3
Atlantic	8.6	9.3	10.1	9.1	7.5
Quebec	46.5	46.9	48.0	45.0	40.0
Ontario	79.1	78.7	69.0	74.0	66.0
Manitoba	7.5	7.4	6.9	7.0	6.4
Saskatchewan	4.9	3.6	2.4	2.5	2.3
Alberta	29.5	26.1	27.3	28.0	27.9
British Columbia	43.7	40.9	44.9	47.0	42.2

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	
	2018	2019	2020f	2021f	2022f	2023f	2024f	2014–2018	2019–2024f
United States									
Real GDP (var. in %)	2.9	2.3	1.8	1.5	1.9	2.4	2.1	2.5	2.0
Total inflation rate (var. in %)	2.4	1.8	1.8	1.7	1.6	1.8	1.6	1.5	1.7
Unemployment rate	3.9	3.7	3.5	3.8	4.1	4.0	3.9	4.9	3.8
S&P 500 index (var. in %) ¹	-6.2	28.9	4.5	-6.7	8.0	7.0	7.0	6.7	8.1
Federal funds rate	1.90	2.28	1.75	1.40	1.25	1.55	2.25	0.80	1.75
Prime rate	4.90	5.28	4.75	4.40	4.25	4.55	5.25	3.80	4.75
Treasury bills – 3-month	1.97	2.10	1.60	1.25	1.15	1.50	2.15	0.66	1.63
Federal bonds – 10-year	2.91	2.14	1.85	1.45	1.70	2.20	2.65	2.35	2.00
– 30-year	3.11	2.58	2.25	1.95	2.15	2.55	2.90	2.96	2.40
WTI oil (US\$/barrel)	65	57	53	46	52	55	56	60	53
Gold (US\$/ounce)	1,269	1,393	1,490	1,490	1,390	1,280	1,260	1,240	1,384
Canada									
Real GDP (var. in %)	2.0	1.6	1.4	1.3	1.7	2.1	1.9	1.9	1.7
Total inflation rate (var. in %)	2.3	1.9	1.7	1.4	1.6	1.8	2.0	1.7	1.7
Employment (var. in %)	1.3	2.1	1.1	0.6	1.2	1.3	1.5	1.1	1.3
Employment (thousands)	241	389	211	112	234	251	304	193	250
Unemployment rate	5.8	5.7	5.7	6.1	6.0	5.8	5.6	6.6	5.8
Housing starts (thousands of units)	213	209	213	192	198	205	215	203	205
S&P/TSX index (var. in %) ¹	-11.6	19.1	4.9	-7.8	9.0	8.0	7.0	1.6	6.7
Exchange rate (US\$/C\$)	0.77	0.75	0.77	0.75	0.77	0.78	0.80	0.80	0.77
Overnight funds	1.40	1.75	1.75	1.45	1.25	1.30	1.80	0.85	1.55
Prime rate	3.61	3.95	3.95	3.65	3.45	3.50	4.00	3.00	3.75
Mortgage rate – 1-year	3.47	3.64	3.65	3.65	3.50	3.55	3.85	3.18	3.64
– 5-year	5.26	5.27	5.20	5.10	5.00	5.05	5.30	4.85	5.15
Treasury bills – 3-month	1.37	1.65	1.65	1.35	1.20	1.35	1.85	0.80	1.51
Federal bonds – 2-year	1.99	1.59	1.65	1.30	1.30	1.60	2.00	1.05	1.57
– 5-year	2.15	1.54	1.60	1.30	1.40	1.75	2.10	1.34	1.62
– 10-year	2.28	1.59	1.60	1.35	1.55	1.85	2.15	1.81	1.68
– 30-year	2.36	1.80	1.75	1.55	1.75	2.05	2.35	2.31	1.88
Yield spreads (Canada—United States)									
Treasury bills – 3-month	-0.60	-0.45	0.05	0.10	0.05	-0.15	-0.30	0.13	-0.12
Federal bonds – 10-year	-0.63	-0.55	-0.25	-0.10	-0.15	-0.35	-0.50	-0.54	-0.32
– 30-year	-0.75	-0.78	-0.50	-0.40	-0.40	-0.50	-0.55	-0.65	-0.52
Quebec									
Real GDP (var. in %)	2.5	2.9	1.7	1.2	1.5	1.8	1.7	1.9	1.8
Total inflation rate (var. in %)	1.7	2.1	1.9	1.7	1.8	1.9	2.0	1.2	1.9
Employment (var. in %)	0.9	1.8	0.8	0.5	0.6	0.8	0.9	1.0	0.9
Employment (thousands)	39	78	40	20	25	35	40	40	40
Unemployment rate	5.5	5.1	4.7	5.0	4.7	4.5	4.2	6.8	4.7
Retail sales (var. in %)	2.9	2.1	1.7	1.0	1.8	2.5	2.7	3.9	2.0
Housing starts (thousands of units)	47	48	45	40	41	42	42	42	43
Ontario									
Real GDP (var. in %)	2.2	1.7	1.6	1.4	1.8	2.0	2.2	2.5	1.8
Total inflation rate (var. in %)	2.4	1.9	1.7	1.5	1.7	1.9	2.1	1.9	1.8
Employment (var. in %)	1.6	2.9	1.6	0.7	1.2	1.3	1.6	1.2	1.6
Employment (thousands)	114	210	145	52	92	101	125	84	121
Unemployment rate	5.6	5.6	5.6	6.0	6.0	5.8	5.5	6.4	5.8
Retail sales (var. in %)	4.4	2.8	1.9	2.2	3.0	3.5	4.0	6.0	2.9
Housing starts (thousands of units)	79	69	74	66	75	77	80	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