

ECONOMIC & FINANCIAL OUTLOOK

The Impacts of Vaccination and the Third Wave Lead to an Unsynchronized Global Recovery

HIGHLIGHTS

- ▶ COVID-19's third wave is affecting many economies. Authorities in the most hard-hit locations, like the euro zone, have tightened up public health measures, which will hurt economic growth. However, the fallout will not be as bad as it was in previous waves. Some countries are much less affected, particularly the United States and the United Kingdom, where the vaccination campaigns are particularly advanced.
- ▶ In the United States, the economy is getting a boost from federal aid and good progress on vaccination. Annualized real GDP growth is expected to be above 8% in the first quarter. An annualized gain of more than 9% is anticipated for the second quarter, which would put real GDP above its pre-pandemic level.
- ▶ In Canada, the economy is showing tremendous resilience, several economic sectors are continuing to recover and the vaccination campaign is progressing faster than anticipated. This suggests that the third COVID-19 wave will not dampen the country's economic growth too much in April.
- ▶ Because of the positive economic outlooks, the Bank of Canada has announced a reduction to its quantitative purchases. It could kick off monetary firming in the second half of 2022. The Federal Reserve should start to cut back on its bond purchases this fall and raise rates for the first time at the end of next year.
- ▶ In Quebec, a third wave of COVID-19 has broken out in some regions, and new, targeted public health measures have had to be introduced. As these new restrictions are more regionally focused, their adverse impact on economic growth will be softer than previously.
- ▶ Ontario has been hit hard by the third COVID-19 wave, forcing the province to bring in new public health measures. This should slow the comeback by the province's real GDP. There are large divergences between sectors. For example, the auto industry is being disrupted by a shortage of certain parts, while construction is doing well. The recovery continues in the other provinces, although the number of COVID-19 cases has also risen in Alberta, British Columbia, Saskatchewan and New Brunswick.

MAIN CHANGES

- ▶ Annual real GDP growth for 2021 has been upgraded in the United States (from 6.5% to 7.0%) thanks to the vaccination campaign's solid performance.
- ▶ In Canada, the third COVID-19 wave has shaken the short-term economic growth profile somewhat. However, the annual averages forecast for real GDP for Canada, Quebec and Ontario are almost unchanged.

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RISKS INHERENT TO OUR SCENARIOS

Despite the good news on vaccination, the pandemic isn't over and its evolution is the main risk factor that could affect our economic scenarios. If the third wave of COVID-19 intensifies, it could hurt the economic situation, and force restrictive public health measures to be extended or even widened. It would also affect the financial markets by sapping profit outlooks and investor optimism. The sluggish vaccination campaigns in some countries could allow new variants to develop, some of which could be more resistant to the vaccines now being distributed. On the other hand, strong vaccination campaign performance and quickly reaching a level of population immunity could lead to faster economic growth than expected, which would remain supported by the current budgetary and monetary policies. The surplus savings stockpiled during the pandemic could be spent rapidly, leading to robust demand and sustained consumer price growth. In Canada, and in Quebec, the residential real estate market's buoyancy in recent months is raising the risk of some markets in the country becoming overvalued and increasingly vulnerable to a price correction. The surge in real estate prices is also favouring a rise in mortgage credit, putting the concerns about overly high household debt loads back at centre stage. The improved economic outlook and rapid rise in commodity prices are making things harder for the central banks. Our scenarios assume that they will gradually adjust their stances and actions to avoid a sustained rise by inflation. Maintaining overly stimulating monetary policies or other highly aggressive budgetary measures could, however, lead to a much bigger surge in inflation expectations and bond yields, which could destabilize the financial markets. On the other hand, firming monetary policies too abruptly could also get a negative reaction from investors.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2020f	2021f	2022f	2020	2021f	2022f
Advanced economies	39.8	-5.0	5.3	3.9	0.7	1.8	1.6
United States	15.8	-3.5	7.0	3.9	1.2	2.4	2.0
Canada	1.4	-5.4	6.3	3.7	0.7	2.1	1.5
<i>Quebec</i>	0.3	-5.3	6.5	3.6	0.8	2.2	1.5
<i>Ontario</i>	0.5	-5.8	6.0	4.0	0.7	2.2	1.6
Japan	4.0	-4.9	3.7	2.3	0.0	0.1	0.6
United Kingdom	2.4	-9.8	4.6	5.8	0.9	1.8	2.1
Euro zone	12.4	-6.7	4.2	4.2	0.3	1.7	1.4
<i>Germany</i>	3.4	-5.3	4.0	4.0	0.5	2.2	1.7
<i>France</i>	2.4	-8.2	5.2	4.3	0.5	1.2	1.2
<i>Italy</i>	2.0	-8.9	4.4	4.1	-0.1	1.0	1.0
Other countries	4.2	-1.6	2.3	1.9	0.4	1.0	0.9
<i>Australia</i>	1.0	-2.4	4.2	3.1	0.9	2.1	1.8
Emerging and developing economies	60.2	-2.7	6.4	4.9	3.0	3.3	3.3
North Asia	25.5	-0.5	8.7	5.6	3.6	2.7	3.1
<i>China</i>	17.3	2.3	8.5	5.4	2.5	1.7	2.2
<i>India</i>	7.1	-7.3	10.0	6.2	6.6	5.0	5.2
South Asia	5.3	-4.6	5.0	5.7	1.0	2.3	2.5
Latin America	5.9	-6.4	4.6	3.0	3.1	3.9	3.5
<i>Mexico</i>	1.9	-8.2	4.7	3.1	3.4	3.9	3.5
<i>Brazil</i>	2.4	-4.4	3.6	2.5	3.6	4.4	3.8
Eastern Europe	8.0	-2.1	3.9	3.7	5.3	6.4	5.2
<i>Russia</i>	3.2	-3.0	2.9	2.6	3.4	4.4	4.1
Other countries	15.4	-5.1	5.4	4.8	4.2	5.0	5.4
<i>South Africa</i>	0.6	-7.1	3.4	2.8	3.2	4.2	4.4
World	100.0	-3.6	6.0	4.5	2.1	2.7	2.7

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2019.

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

FINANCIAL FORECASTS

Stock markets and bond yields continued to trend up until the end of March. Buoyed by rising oil prices, the S&P/TSX did particularly well, with a total return, including dividends, of more than 8% in the first quarter. Conversely, rapidly rising bond yields triggered a sharp pullback by bond indexes in the early months of 2021. The financial markets were more hesitant in the first few weeks of April, reflecting concerns over the third wave of COVID-19, among other things. As the Bank of Canada (BoC) outlined in April's *Monetary Policy Report*, however, the economic outlooks remain highly favourable. This prompted the BoC to announce a cut to its quantitative purchases. While it is being much more hesitant to remove its monetary support, the Federal Reserve (Fed) should also take stock of the situation and start to cut back on its bond purchases next fall. If economic growth remains sustained, the BoC could kick off monetary firming in the second half of 2022, a few months ahead of the Fed. Against the backdrop of sustained economic growth that puts some pressure on prices, such gradual monetary policy normalization suggests that bond yields will trend up in the coming quarters. The outlooks for the stock markets and industrial commodities remain good. Slightly faster monetary policy normalization in Canada could take the loonie to around US\$0.82 by mid-2022.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2020		2021				2022			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50
Canada	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Federal bonds										
<u>United States</u>										
2-year	0.13	0.13	0.16	0.20	0.35	0.50	0.60	0.75	0.90	1.15
5-year	0.27	0.35	0.92	0.90	1.00	1.10	1.20	1.35	1.50	1.70
10-year	0.68	0.91	1.75	1.65	1.75	1.85	1.95	2.05	2.15	2.25
30-year	1.45	1.64	2.42	2.35	2.45	2.55	2.60	2.65	2.75	2.85
<u>Canada</u>										
2-year	0.25	0.20	0.22	0.35	0.50	0.65	0.75	0.90	1.05	1.30
5-year	0.36	0.39	0.99	1.05	1.15	1.25	1.35	1.50	1.65	1.85
10-year	0.57	0.67	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20
30-year	1.11	1.21	1.97	2.10	2.15	2.25	2.30	2.40	2.50	2.60
Currency market										
Canadian dollar (USD/CAD)	1.33	1.27	1.26	1.24	1.23	1.23	1.23	1.23	1.22	1.21
Canadian dollar (CAD/USD)	0.75	0.79	0.80	0.81	0.81	0.81	0.81	0.82	0.82	0.83
Euro (EUR/USD)	1.17	1.22	1.18	1.20	1.21	1.22	1.22	1.21	1.20	1.19
British pound (GBP/USD)	1.29	1.37	1.38	1.39	1.41	1.43	1.43	1.43	1.44	1.44
Yen (USD/JPY)	105	103	111	109	110	111	111	111	111	111
Stock markets (level and growth)*										
United States – S&P 500	3,756		Target: 4,200 (+11.8%)				Target: 4,550 (+8.3%)			
Canada – S&P/TSX	17,433		Target: 20,000 (+14.7%)				Target: 22,000 (+10.0%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	39 (48*)		60 (62*)				63 (65*)			
Gold (US\$/ounce)	1,771 (1,898*)		1,755 (1,720*)				1,665 (1,610*)			

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)	2020		2021				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2019	2020	2021f	2022f
Real GDP (2012 US\$)	33.4	4.3	8.4	9.1	6.3	5.1	2.2	-3.5	7.0	3.9
Personal consumption expenditures	41.0	2.3	10.3	10.5	8.0	6.9	2.4	-3.9	8.2	4.6
Residential construction	63.0	36.6	18.0	12.8	7.9	2.8	-1.7	6.1	17.9	4.1
Business fixed investment	22.9	13.1	6.9	7.4	6.8	6.9	2.9	-4.0	7.4	7.0
Inventory change (US\$B)	-3.7	62.1	45.0	35.0	50.0	50.0	48.5	-77.4	45.0	50.0
Public expenditures	-4.8	-0.8	5.4	9.7	0.1	-0.6	2.3	1.1	2.4	1.2
Exports	59.6	22.3	-1.3	8.0	7.0	7.5	-0.1	-12.9	5.3	6.7
Imports	93.1	29.8	4.0	12.0	9.0	9.0	1.1	-9.3	13.5	8.6
Final domestic demand	29.8	4.4	9.4	10.1	6.5	5.5	2.3	-2.7	7.5	4.3
Other indicators										
Nominal GDP	38.3	6.3	11.4	11.5	8.4	7.0	4.0	-2.3	9.2	6.1
Employment according to establishments	23.3	5.1	2.1	6.4	5.9	5.5	1.3	-5.7	3.0	4.0
Unemployment rate (%)	8.8	6.8	6.2	5.7	5.2	4.9	3.7	8.1	5.5	4.4
Housing starts ¹ (thousands of units)	1,432	1,584	1,613	1,722	1,722	1,717	1,296	1,395	1,693	1,778
Total inflation rate*	1.3	1.2	1.9	3.2	2.3	2.2	1.8	1.2	2.4	2.0
Core inflation rate* ³	1.7	1.6	1.4	2.2	1.6	1.7	2.2	1.7	1.7	2.1

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)	2020		2021				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2019	2020	2021f	2022f
Real GDP (2012 \$)	40.6	9.6	6.0	4.5	5.0	5.5	1.9	-5.4	6.3	3.7
Final consumption expenditure [of which:]	47.8	1.7	0.3	5.6	7.9	8.5	1.7	-4.7	4.7	5.2
Household consumption expenditure	63.4	-0.4	-1.7	5.4	10.9	12.1	1.6	-6.1	4.8	7.4
Governments consumption expenditure	16.9	6.2	5.6	5.9	-0.1	-1.4	2.0	-1.1	4.4	-0.8
Gross fixed capital formation [of which:]	72.1	9.6	6.1	1.8	3.2	4.4	0.3	-3.6	7.4	3.3
Residential structures	191.4	18.4	9.2	-5.3	-2.6	-1.9	-0.2	3.9	13.1	-1.6
Non-residential structures	-0.8	-10.2	5.7	9.5	10.1	12.0	1.1	-11.2	-1.6	9.5
Machinery and equipment	91.5	31.1	7.2	2.4	4.8	7.1	1.0	-16.4	10.1	6.2
Intellectual property products	25.1	2.1	5.9	9.8	10.5	12.4	-1.9	-3.8	6.2	9.8
Governments gross fixed capital formation	35.3	5.6	0.6	0.6	0.6	0.6	0.3	4.3	4.4	-1.0
Investment in inventories (2012 \$B)	-36.8	1.7	23.5	12.7	13.8	11.1	18.8	-15.5	15.3	7.8
Exports	73.1	5.0	7.4	9.7	7.2	7.3	1.3	-9.8	7.8	6.2
Imports	118.8	10.8	-2.3	14.1	13.2	11.5	0.4	-11.3	9.3	8.7
Final domestic demand	52.8	3.5	3.0	4.8	6.8	6.8	1.4	-4.5	5.7	4.5
Other indicators										
Nominal GDP	54.6	14.3	16.2	3.7	6.8	8.0	3.6	-4.6	10.9	5.9
Employment	38.5	9.9	1.0	7.1	3.7	3.0	2.2	-5.2	5.0	3.0
Unemployment rate (%)	10.1	8.8	8.4	7.5	7.0	6.6	5.7	9.5	7.4	6.1
Housing starts ¹ (thousands of units)	239	240	308	265	247	242	209	218	265	235
Total inflation rate*	0.3	0.8	1.4	3.0	2.3	1.7	1.9	0.7	2.1	1.5
Core inflation rate* ³	0.6	1.1	1.0	1.2	1.4	1.0	2.0	1.1	1.1	1.3

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)	2018	2019	2020	2021f	2022f
Real GDP (2012 \$)	2.9	2.7	-5.3	6.5	3.6
Final consumption expenditure [of which:]	2.4	2.1	-4.3	5.0	4.8
<i>Household consumption expenditure</i>	2.7	2.1	-5.6	5.2	5.7
<i>Governments consumption expenditure</i>	1.7	2.2	-0.8	4.7	2.8
Gross fixed capital formation [of which:]	4.0	3.2	-1.6	6.1	1.6
<i>Residential structures</i>	3.9	3.7	2.8	13.8	-1.0
<i>Non-residential structures</i>	3.0	6.3	-3.9	-1.9	2.0
<i>Machinery and equipment</i>	-0.4	7.3	-14.0	1.0	2.7
<i>Intellectual property products</i>	3.9	-0.6	-3.6	3.3	1.9
<i>Governments gross fixed capital formation</i>	8.2	-0.9	1.6	3.4	4.5
Investment in inventories (2012 \$B)	2,202	4,066	-4,942	3,500	4,500
Exports	3.8	1.7	-11.7	6.5	6.5
Imports	2.4	1.9	-13.2	6.5	7.4
Final domestic demand	2.7	2.3	-3.7	5.3	4.2
Other indicators					
Nominal GDP	5.4	4.3	-4.0	8.7	5.4
Real disposable personal income	2.8	3.5	7.4	0.2	0.9
Weekly earnings	3.2	3.5	7.8	4.8	2.0
Employment	1.5	2.0	-4.8	4.4	3.1
Unemployment rate (%)	5.5	5.1	8.9	6.3	5.0
Personal saving rate (%)	5.3	6.8	18.3	14.1	9.5
Retail sales	3.6	0.9	-0.2	5.0	3.7
Housing starts ¹ (thousands of units)	46.9	48.0	54.1	69.2	58.0
Total inflation rate	1.7	2.1	0.8	2.2	1.5

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)	2018	2019	2020	2021f	2021f
Real GDP (2012 \$)	2.8	2.1	-5.8	6.0	4.0
Final consumption expenditure [of which:]	3.2	1.8	-5.0	4.3	5.3
<i>Household consumption expenditure</i>	2.9	1.9	-6.1	4.2	7.4
<i>Governments consumption expenditure</i>	4.0	1.4	-1.7	4.5	-0.9
Gross fixed capital formation [of which:]	4.3	-0.7	-1.2	9.9	2.9
<i>Residential structures</i>	-3.6	0.5	7.9	14.8	-1.6
<i>Non-residential structures</i>	19.8	-4.3	-11.1	0.6	9.5
<i>Machinery and equipment</i>	6.5	-0.6	-14.1	12.6	6.6
<i>Intellectual property products</i>	6.2	-1.1	-3.6	8.1	9.0
<i>Governments gross fixed capital formation</i>	6.1	0.8	0.5	3.1	-0.4
Investment in inventories (2012 \$B)	7,613	8,728	-6,133	1,885	-1,165
Exports	1.1	2.1	-8.7	8.3	6.8
Imports	2.3	0.6	-9.2	9.6	7.6
Final domestic demand	3.4	1.2	-4.2	5.5	4.8
Other indicators					
Nominal GDP	4.1	3.8	-4.8	10.2	6.3
Real disposable personal income	2.7	2.6	9.5	-0.4	1.2
Weekly earnings	2.9	2.7	7.3	6.3	2.5
Employment	1.7	2.8	-4.8	5.3	3.2
Unemployment rate (%)	5.7	5.6	9.6	7.4	6.0
Personal saving rate (%)	-1.0	-0.6	13.4	9.7	3.9
Retail sales	4.5	2.3	-3.5	6.4	3.9
Housing starts ¹ (thousands of units)	78.7	69.0	81.3	94.3	85.0
Total inflation rate*	2.4	1.9	0.7	2.2	1.6

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)	2018	2019	2020	2021f	2022f
Real GDP growth – Canada	2.4	1.9	-5.4	6.3	3.7
Atlantic	-0.1	2.7	-3.2	5.5	3.0
Quebec	2.9	2.7	-5.3	6.5	3.6
Ontario	2.8	2.1	-5.8	6.0	4.0
Manitoba	1.5	0.6	-3.0	5.0	3.2
Saskatchewan	1.2	-0.7	-6.0	5.5	3.5
Alberta	1.9	0.1	-7.0	7.5	4.2
British Columbia	2.7	2.7	-4.0	6.2	3.5
Total inflation rate – Canada	2.3	1.9	0.7	2.1	1.5
Atlantic	2.0	1.5	0.2	2.7	1.8
Quebec	1.7	2.1	0.8	2.2	1.5
Ontario	2.4	1.9	0.7	2.2	1.6
Manitoba	2.5	2.2	0.5	1.6	1.2
Saskatchewan	2.3	1.7	0.6	2.0	1.4
Alberta	2.4	1.8	1.1	1.7	1.4
British Columbia	2.7	2.3	0.8	2.0	1.5
Employment growth – Canada	1.6	2.2	-5.2	5.0	3.0
Atlantic	1.3	1.7	-4.1	4.1	2.0
Quebec	1.5	2.0	-4.8	4.4	3.1
Ontario	1.7	2.8	-4.8	5.3	3.2
Manitoba	1.1	1.0	-3.7	3.5	2.0
Saskatchewan	0.5	1.9	-4.7	2.0	2.0
Alberta	1.9	0.7	-6.6	5.0	3.2
British Columbia	1.4	3.0	-6.6	7.0	3.5
Unemployment rate – Canada	5.9	5.7	9.5	7.4	6.1
Atlantic	9.2	8.7	10.8	9.2	8.0
Quebec	5.5	5.1	8.9	6.3	5.0
Ontario	5.7	5.6	9.6	7.4	6.0
Manitoba	6.0	5.3	8.0	6.7	5.8
Saskatchewan	6.2	5.6	8.4	7.1	6.1
Alberta	6.7	7.0	11.4	9.0	7.8
British Columbia	4.7	4.7	8.9	6.8	5.7
Retail sales growth – Canada	3.0	1.2	-1.3	7.5	4.0
Atlantic	0.2	1.9	0.1	13.1	4.0
Quebec	3.6	0.9	-0.2	5.0	3.7
Ontario	4.5	2.3	-3.5	6.4	3.9
Manitoba	2.2	0.8	0.8	8.0	3.0
Saskatchewan	-0.5	0.3	-1.1	7.5	3.5
Alberta	1.8	-0.8	-2.3	9.0	4.2
British Columbia	1.9	0.6	2.4	9.5	4.5
Housing starts – Canada (thousands of units)	212.8	208.7	217.8	265.2	234.6
Atlantic	9.3	10.1	10.3	8.5	7.2
Quebec	46.9	48.0	54.1	69.2	58.0
Ontario	78.7	69.0	81.3	94.3	85.0
Manitoba	7.4	6.9	7.3	6.0	5.3
Saskatchewan	3.6	2.4	3.1	4.9	4.3
Alberta	26.1	27.3	24.0	25.2	23.0
British Columbia	40.9	44.9	37.7	57.1	51.8

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	
	2019	2020	2021f	2022f	2023f	2024f	2025f	2016–2020	2021–2025f
United States									
Real GDP (var. in %)	2.2	-3.5	7.0	3.9	2.2	1.9	1.6	1.1	3.3
Total inflation rate (var. in %)	1.8	1.2	2.4	2.0	2.2	2.0	2.0	1.8	2.1
Unemployment rate	3.7	8.1	5.5	4.4	3.7	3.5	3.4	5.0	4.1
S&P 500 index (var. in %) ¹	28.9	16.3	11.8	8.3	5.0	4.0	4.0	13.6	6.6
Federal funds rate	2.28	0.54	0.25	0.25	0.90	1.90	2.50	1.27	1.16
Prime rate	5.28	3.54	3.25	3.25	3.90	4.90	5.50	4.27	4.16
Treasury bills – 3-month	2.10	0.37	0.10	0.20	0.90	1.90	2.40	1.14	1.10
Federal bonds – 10-year	2.14	0.89	1.60	2.10	2.55	2.95	3.05	2.02	2.45
– 30-year	2.58	1.56	2.35	2.70	3.10	3.40	3.45	2.55	3.00
WTI oil (US\$/barrel)	57	39	60	63	62	60	58	51	61
Gold (US\$/ounce)	1,393	1,771	1,755	1,665	1,630	1,600	1,600	1,388	1,650
Canada									
Real GDP (var. in %)	1.9	-5.4	6.3	3.7	1.9	1.8	1.5	0.6	3.0
Total inflation rate (var. in %)	1.9	0.7	2.1	1.5	2.1	1.9	2.0	1.6	1.9
Employment (var. in %)	2.2	-5.2	5.0	3.0	1.7	1.3	1.0	0.3	2.4
Employment (thousands)	418	-986	909	568	340	256	209	41	456
Unemployment rate	5.7	9.5	7.4	6.1	5.7	5.3	4.9	6.9	5.8
Housing starts (thousands of units)	209	218	265	235	223	218	215	211	231
S&P/TSX index (var. in %) ¹	19.1	2.2	14.7	10.0	6.0	3.0	3.0	6.6	7.3
Exchange rate (US\$/C\$)	0.75	0.75	0.81	0.82	0.83	0.82	0.81	0.76	0.82
Overnight funds	1.75	0.56	0.25	0.30	1.05	1.80	2.00	0.98	1.08
Prime rate	3.95	2.75	2.45	2.50	3.25	4.00	4.20	3.18	3.28
Mortgage rate – 1-year	3.64	3.25	2.75	2.80	3.35	4.00	4.10	3.33	3.40
– 5-year	5.27	4.95	4.80	5.00	5.50	5.70	5.75	4.98	5.35
Treasury bills – 3-month	1.65	0.44	0.15	0.30	1.10	1.80	2.00	0.93	1.07
Federal bonds – 2-year	1.59	0.51	0.40	1.00	1.75	2.15	2.20	1.15	1.50
– 5-year	1.54	0.60	1.00	1.60	2.05	2.30	2.35	1.28	1.86
– 10-year	1.59	0.75	1.55	2.05	2.35	2.60	2.65	1.53	2.24
– 30-year	1.80	1.21	2.00	2.45	2.75	3.00	3.05	1.92	2.65
Yield spreads (Canada—United States)									
Treasury bills – 3-month	-0.45	0.07	0.05	0.10	0.20	-0.10	-0.40	-0.21	-0.03
Federal bonds – 10-year	-0.55	-0.14	-0.05	-0.05	-0.20	-0.35	-0.40	-0.49	-0.21
– 30-year	-0.78	-0.35	-0.35	-0.25	-0.35	-0.40	-0.40	-0.63	-0.35
Quebec									
Real GDP (var. in %)	2.7	-5.3	6.5	3.6	1.7	1.4	1.1	1.0	2.9
Total inflation rate (var. in %)	2.1	0.8	2.2	1.5	2.0	1.9	2.0	1.3	1.9
Employment (var. in %)	2.0	-4.8	4.4	3.1	1.7	1.1	0.8	0.4	2.2
Employment (thousands)	86	-209	180	135	73	51	35	-6	95
Unemployment rate	5.1	8.9	6.3	5.0	4.4	4.2	4.1	6.6	4.8
Retail sales (var. in %)	0.9	-0.2	5.0	3.7	4.0	3.5	3.0	3.3	3.8
Housing starts (thousands of units)	48	54	69	58	47	44	41	47	52
Ontario									
Real GDP (var. in %)	2.1	-5.8	6.0	4.0	2.1	2.0	1.7	0.8	3.2
Total inflation rate (var. in %)	1.9	0.7	2.2	1.6	2.1	2.0	2.0	1.7	2.0
Employment (var. in %)	2.8	-4.8	5.3	3.2	1.7	1.4	1.1	0.5	2.5
Employment (thousands)	204	-355	370	237	130	109	87	35	186
Unemployment rate	5.6	9.6	7.4	6.0	5.6	5.2	4.8	6.7	5.8
Retail sales (var. in %)	2.3	-3.5	6.4	3.9	4.0	3.5	3.0	3.6	4.2
Housing starts (thousands of units)	69	81	94	85	82	80	78	77	84

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