

# ECONOMIC & FINANCIAL OUTLOOK

## The Fourth Wave Is Not Affecting the Economy Too Much, for Now

### HIGHLIGHTS

- ▶ The rapid spread of the Delta variant remains a primary concern. For the time being, the increase in cases does not seem to be having too much of an impact on economic activity in most advanced countries, as shown by the strong levels of the PMI indexes. Real GDP growth was generally good in the second quarter, including in the euro zone and the United Kingdom, ending the contractions experienced last winter.
- ▶ In the United States, the 6.5% annualized variation in real GDP in the second quarter was below expectations. Indicators remain mixed for the start of the third quarter, with good news on employment but rather disappointing results for retail sales and consumer confidence (a likely effect of the rise in Delta-related cases). Inflation, however, was a little less aggressive in July. The economic outlook remains good thanks to tax relief for families, a recovering labour market and accumulated savings that remain substantial.
- ▶ In Canada, despite the development of a fourth wave of COVID-19, we do not expect any new broad restrictive health measures. The impact on economic growth and the labour market should thus be much more muted than in previous waves. In addition, the third wave is expected to result in slower real GDP growth in the second quarter, at about 2.3% (quarterly annualized rate). However, the gradual lifting of health measures will support a rebound in economic growth in the third quarter.
- ▶ Quebec's economy has improved significantly since the spring. The gradual lifting of restrictive measures, at bars and restaurants in particular, led to a rebound in employment this summer. The unemployment rate even fell to 6.1% in July. Now that real GDP has returned to pre-pandemic levels, growth is expected to slow in the second half of 2021. The relatively high vaccination rate in Quebec should help limit any upsets in the economy this fall.
- ▶ The negative effects of the third wave of infections were particularly severe in Ontario and should be felt in the second quarter results of the province's economic accounts. According to the province's activity index carry-over for 2021, Alberta is currently leading the country thanks to the recovery in oil prices.
- ▶ Central bankers seem to be more attuned to the spike in inflation. The Bank of Canada did not hesitate to scale back its bond purchases again in July. In the United States, a majority of Federal Reserve officials now believe that they will likely have to start reducing their quantitative policy before the end of 2021.

### MAIN CHANGES

- ▶ The weaker-than-expected increase in U.S. real GDP in the second quarter of 2021 has led to a downward revision of our annual growth forecast for the U.S. economy. This also affects global real GDP.
- ▶ With upward pressures on prices becoming more widespread, our forecast for inflation has been raised in the United States and Canada (including Quebec and Ontario).

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## RISKS INHERENT TO OUR SCENARIOS

The spread of the Delta variant confirms that the pandemic is not over and that its development remains the main risk factor that could affect our economic scenarios. The slow pace of vaccination campaigns in some countries, lower-than-expected vaccine efficacy and the spread of new variants could affect the economic situation, forcing the extension or reintroduction of restrictive health measures. It would also affect financial markets by eroding earnings outlooks and investor optimism. The many imbalances between supply and demand, including new production constraints due to the pandemic and additional supply problems could cause inflation to increase more than expected. That said, economic growth, still supported by fiscal and monetary policies, could be stronger than forecast. The excess savings stockpiled during the pandemic could be spent rapidly, leading to robust demand and sustained growth in consumer prices. In the United States, the passing and implementation of President Joe Biden's ambitious infrastructure and family assistance plans could lead to stronger economic growth in the medium term. In Canada, including Quebec, the boom in the residential real estate market seems to be waning, but the risks of a possible price correction remain. The improved economic outlook and rapid rise in prices are making things harder for the central banks. Maintaining overly stimulating monetary policies or other highly aggressive fiscal measures could lead to a much bigger surge in inflation expectations and ease an upward reaction in bond yields. On the other hand, tightening monetary policies too abruptly could also trigger a negative reaction from investors.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2020	2021f	2022f	2020	2021f	2022f
<b>Advanced economies</b>	<b>39.8</b>	<b>-4.8</b>	<b>5.2</b>	<b>4.0</b>	<b>0.7</b>	<b>2.9</b>	<b>2.1</b>
United States	15.8	-3.4	6.0	4.0	1.2	4.3	2.9
Canada	1.4	-5.3	6.1	4.3	0.7	3.0	2.5
<i>Quebec</i>	0.3	-5.3	7.4	3.2	0.8	3.4	2.5
<i>Ontario</i>	0.5	-5.1	5.5	4.7	0.7	3.0	2.4
Japan	4.0	-4.7	2.9	2.7	0.0	0.4	0.6
United Kingdom	2.4	-9.8	6.4	5.3	0.9	2.3	2.5
Euro zone	12.4	-6.5	4.8	4.5	0.3	2.3	1.5
<i>Germany</i>	3.4	-4.9	3.3	4.5	0.5	3.0	1.9
<i>France</i>	2.4	-8.0	6.2	4.0	0.5	1.9	1.3
<i>Italy</i>	2.0	-8.9	6.0	4.4	-0.1	1.8	1.3
Other countries	4.2	-1.5	2.5	2.0	0.4	1.3	1.0
<i>Australia</i>	1.0	-2.4	4.5	3.2	0.9	2.6	2.0
<b>Emerging and developing economies</b>	<b>60.2</b>	<b>-2.7</b>	<b>6.5</b>	<b>4.9</b>	<b>3.0</b>	<b>3.8</b>	<b>3.5</b>
North Asia	25.5	-0.4	8.3	5.8	3.6	3.2	3.1
<i>China</i>	17.3	2.3	8.4	5.5	2.5	1.9	2.4
<i>India</i>	7.1	-7.3	8.8	6.8	6.6	5.8	4.9
South Asia	5.3	-4.6	3.9	5.5	0.9	2.6	2.5
Latin America	5.9	-6.4	5.7	2.9	3.1	5.6	3.7
<i>Mexico</i>	1.9	-8.3	5.9	3.0	3.4	5.9	3.7
<i>Brazil</i>	2.4	-4.4	4.9	2.3	3.6	6.6	4.0
Eastern Europe	8.0	-2.2	4.4	3.6	5.3	8.0	5.9
<i>Russia</i>	3.2	-3.0	3.3	2.7	3.4	6.0	4.2
Other countries	15.4	-5.1	6.1	4.6	4.2	5.1	5.5
<i>South Africa</i>	0.6	-7.1	4.1	2.6	3.2	4.7	4.5
<b>World</b>	<b>100.0</b>	<b>-3.6</b>	<b>5.9</b>	<b>4.5</b>	<b>2.1</b>	<b>3.5</b>	<b>3.0</b>

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

Trends in financial markets have not changed much over the past few months. Stock markets have continued to rise as earnings continue to exceed analysts' expectations. The downward trend in bond yields that began last spring has also tended to continue as many investors seem less concerned about a sustained rise in inflation and, recently, more concerned about the increase in COVID-19 cases linked to the Delta variant. There is, however, greater concern among central bankers about rising inflation and a greater readiness to normalize their monetary policy. The Bank of Canada did not hesitate to reduce its bond purchases again in July, in addition to sharply raising its inflation forecasts. The recently posted surge in inflation to a 10-year high will do nothing to reassure Canadian monetary authorities. Comments from Federal Reserve officials have also evolved significantly in recent months to the point where a majority now believes it will likely be necessary to begin reducing quantitative policy before the end of 2021. We continue to believe that bond yields will rise significantly in the coming months and that a hike in North American key rates will begin in late 2022. Concerns about the Delta variant are currently hurting commodity prices as well as the Canadian dollar, but some recovery is expected, assuming positive developments in the pandemic in the coming quarters.

**TABLE 2**  
**Summary of the financial forecasts**

END OF PERIOD IN % (EXCEPT IF INDICATED)	2020		2021				2022			
	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Key interest rate</b>										
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	0.25
<b>Federal bonds</b>										
<u>United States</u>										
2-year	0.13	0.13	0.16	0.24	0.30	0.45	0.60	0.75	0.90	1.15
5-year	0.27	0.35	0.92	0.86	0.85	1.05	1.20	1.35	1.50	1.70
10-year	0.68	0.91	1.75	1.44	1.35	1.65	1.90	2.10	2.25	2.40
30-year	1.45	1.64	2.42	2.07	2.00	2.25	2.45	2.60	2.75	2.85
<u>Canada</u>										
2-year	0.25	0.20	0.22	0.45	0.55	0.65	0.75	0.90	1.05	1.30
5-year	0.36	0.39	0.99	0.97	0.90	1.10	1.30	1.50	1.65	1.85
10-year	0.57	0.67	1.55	1.39	1.25	1.55	1.80	2.00	2.15	2.30
30-year	1.11	1.21	1.97	1.84	1.85	2.05	2.20	2.35	2.45	2.55
<b>Currency market</b>										
Canadian dollar (USD/CAD)	1.33	1.27	1.26	1.24	1.27	1.25	1.25	1.23	1.22	1.21
Canadian dollar (CAD/USD)	0.75	0.79	0.80	0.81	0.79	0.80	0.80	0.81	0.82	0.83
Euro (EUR/USD)	1.17	1.22	1.18	1.19	1.17	1.18	1.19	1.20	1.19	1.18
British pound (GBP/USD)	1.29	1.37	1.38	1.38	1.37	1.39	1.40	1.41	1.42	1.42
Yen (USD/JPY)	105	103	111	111	110	110	111	111	112	112
<b>Stock markets (level and growth)*</b>										
United States – S&P 500	3,756				Target: 4,500 (+19.8%)		Target: 4,800 (+6.7%)			
Canada – S&P/TSX	17,433				Target: 21,000 (+20.5%)		Target: 22,500 (+7.1%)			
<b>Commodities (annual average)</b>										
WTI oil (US\$/barrel)	39 (48*)				64 (64*)		66 (67*)			
Gold (US\$/ounce)	1,771 (1,898*)				1,790 (1,740*)		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	Q1	Q2	Q3f	Q4f	2019	2020	2021f	2022f
Real GDP (2012 US\$)	33.8	4.5	6.3	6.5	6.1	5.2	2.3	-3.4	6.0	4.0
Personal consumption expenditures	41.4	3.4	11.4	11.8	3.9	5.4	2.2	-3.8	8.3	3.8
Residential construction	59.9	34.4	13.3	-9.8	0.4	2.4	-0.9	6.8	10.8	1.8
Business fixed investment	18.7	12.5	12.9	8.0	9.6	10.9	4.3	-5.3	8.7	8.0
Inventory change (US\$B)	25.3	88.8	-88.3	-166	0.0	20.0	75.1	-42.3	-58.5	42.5
Public expenditures	-2.1	-0.5	4.2	-1.5	2.0	1.1	2.2	2.5	0.9	1.5
Exports	54.5	22.5	-2.9	6.0	1.5	5.0	-0.1	-13.6	4.1	5.3
Imports	89.2	31.3	9.3	7.8	9.0	7.0	1.2	-8.9	14.0	6.9
Final domestic demand	29.9	5.0	10.4	7.9	4.2	5.3	2.4	-2.5	7.1	3.9
<b>Other indicators</b>										
Nominal GDP	38.7	6.6	10.9	13.0	11.3	7.6	4.1	-2.2	9.9	6.8
Employment according to establishments	23.3	5.1	2.1	4.8	7.2	5.8	1.3	-5.7	2.9	3.9
Unemployment rate (%)	8.8	6.8	6.2	5.9	5.2	4.7	3.7	8.1	5.5	4.4
Housing starts <sup>1</sup> (thousands of units)	1,440	1,575	1,599	1,568	1,580	1,603	1,296	1,396	1,588	1,640
Total inflation rate*	1.3	1.2	1.9	4.8	5.2	5.2	1.8	1.2	4.3	2.9
Core inflation rate* <sup>3</sup>	1.7	1.6	1.4	3.7	4.2	4.5	2.2	1.7	3.5	3.1

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)	2020		2021				ANNUAL AVERAGE			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	2019	2020	2021f	2022f
<b>Real GDP</b> (2012 \$)	<b>41.7</b>	<b>9.3</b>	<b>5.6</b>	<b>2.3</b>	<b>6.9</b>	<b>5.3</b>	<b>1.9</b>	<b>-5.3</b>	<b>6.1</b>	<b>4.3</b>
Final consumption expenditure [of which:]	49.8	2.5	3.4	1.9	8.0	7.2	1.7	-4.4	5.2	5.2
Household consumption expenditure	63.9	0.9	2.7	0.7	9.2	9.5	1.6	-6.0	5.0	7.1
Governments consumption expenditure	22.0	5.7	6.2	5.1	5.1	1.1	2.0	-0.3	5.8	0.3
Gross fixed capital formation [of which:]	66.3	10.6	17.0	-3.7	0.5	4.3	0.3	-3.7	8.1	3.5
Residential structures	181.9	16.9	43.3	-14.1	-16.6	-7.6	-0.2	4.1	16.0	-5.4
Non-residential structures	-8.4	-6.3	2.5	4.9	12.4	13.9	1.1	-11.3	-2.9	9.8
Machinery and equipment	96.3	28.1	-10.2	-4.9	1.7	8.9	1.0	-17.4	3.1	6.4
Intellectual property products	24.0	6.9	13.9	-11.7	12.8	14.3	-1.9	-3.5	5.3	9.0
Governments gross fixed capital formation	29.6	8.2	3.8	2.2	13.1	7.9	0.3	4.1	7.5	4.2
Investment in inventories (2012 \$B)	-37.1	-0.3	-8.5	25.8	14.3	9.7	18.8	-15.9	10.3	10.5
Exports	72.3	4.1	6.0	-15.9	30.9	13.7	1.3	-10.0	5.1	8.6
Imports	117.4	11.6	4.3	-0.4	18.1	14.1	0.4	-11.2	9.1	9.6
Final domestic demand	53.3	4.3	6.4	4.6	3.9	5.5	1.4	-4.3	6.3	4.5
<b>Other indicators</b>										
Nominal GDP	54.9	15.4	18.4	9.0	11.1	7.5	3.6	-4.6	13.3	6.1
Employment	38.5	9.9	1.0	2.5	7.2	3.8	2.2	-5.2	4.7	3.3
Unemployment rate (%)	10.1	8.8	8.4	8.0	7.2	6.8	5.7	9.5	7.6	6.2
Housing starts <sup>1</sup> (thousands of units)	239	240	306	280	270	258	209	218	279	234
Total inflation rate*	0.3	0.8	1.4	3.3	3.8	3.4	1.9	0.7	3.0	2.5
Core inflation rate* <sup>3</sup>	0.6	1.1	1.0	2.1	2.9	2.4	2.0	1.1	2.1	1.9

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)	2018	2019	2020	2021f	2022f
<b>Real GDP (2012 \$)</b>	<b>2.9</b>	<b>2.7</b>	<b>-5.3</b>	<b>7.4</b>	<b>3.2</b>
Final consumption expenditure [of which:]	2.4	2.1	-4.1	5.9	5.2
Household consumption expenditure	2.7	2.1	-5.5	6.1	6.3
Governments consumption expenditure	1.7	2.2	-0.3	5.8	2.7
Gross fixed capital formation [of which:]	4.0	3.2	-1.7	7.9	0.8
Residential structures	3.9	3.7	2.9	12.0	-3.5
Non-residential structures	3.0	6.3	-4.1	-1.1	2.0
Machinery and equipment	-0.4	7.3	-15.1	7.2	2.7
Intellectual property products	3.9	-0.6	-3.1	10.6	1.9
Governments gross fixed capital formation	8.2	-0.9	1.4	5.4	4.5
Investment in inventories (2012 \$B)	2,202	4,066	-5,120	2,648	4,500
Exports	3.8	1.7	-11.7	5.2	4.9
Imports	2.4	1.9	-13.0	5.4	7.0
Final domestic demand	2.7	2.3	-3.6	6.4	4.3
<b>Other indicators</b>					
Nominal GDP	5.4	4.3	-4.1	10.8	5.2
Real disposable personal income	2.8	3.5	9.5	1.4	0.5
Weekly earnings	3.2	3.5	7.8	3.7	3.0
Employment	1.5	2.0	-4.8	4.2	3.0
Unemployment rate (%)	5.5	5.1	8.9	6.3	5.1
Personal saving rate (%)	5.3	6.8	18.9	14.6	9.4
Retail sales	3.6	0.9	-0.2	13.7	4.4
Housing starts <sup>1</sup> (thousands of units)	46.9	48.0	54.1	69.0	58.0
Total inflation rate	1.7	2.1	0.8	3.4	2.5

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)	2018	2019	2020	2021f	2021f
<b>Real GDP (2012 \$)</b>	<b>2.8</b>	<b>2.1</b>	<b>-5.1</b>	<b>5.5</b>	<b>4.7</b>
Final consumption expenditure [of which:]	3.2	1.8	-4.6	5.1	5.8
Household consumption expenditure	2.9	1.9	-6.0	4.5	7.3
Governments consumption expenditure	4.0	1.4	-0.6	6.8	1.4
Gross fixed capital formation [of which:]	4.3	-0.7	-1.2	14.6	2.8
Residential structures	-3.6	0.5	8.5	24.1	-4.1
Non-residential structures	19.8	-4.3	-11.1	-0.5	9.0
Machinery and equipment	6.5	-0.6	-15.1	10.6	6.3
Intellectual property products	6.2	-1.1	-3.3	6.3	9.1
Governments gross fixed capital formation	6.1	0.8	0.3	5.8	4.1
Investment in inventories (2012 \$B)	7,613	8,728	-5,753	-4,742	-8,779
Exports	1.1	2.1	-8.4	5.9	9.0
Imports	2.3	0.6	-9.5	9.3	9.0
Final domestic demand	3.4	1.2	-3.9	7.3	5.2
<b>Other indicators</b>					
Nominal GDP	4.1	3.8	-4.6	10.8	7.0
Real disposable personal income	2.7	2.6	9.8	1.8	0.2
Weekly earnings	2.9	2.7	7.3	5.8	3.2
Employment	1.7	2.8	-4.8	4.5	3.7
Unemployment rate (%)	5.7	5.6	9.6	8.2	6.7
Personal saving rate (%)	-1.0	-0.6	13.2	10.5	4.7
Retail sales	4.5	2.3	-3.5	9.2	6.6
Housing starts <sup>1</sup> (thousands of units)	78.7	69.0	81.3	99.9	84.4
Total inflation rate*	2.4	1.9	0.7	3.0	2.4

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)	2018	2019	2020	2021f	2022f
<b>Real GDP growth – Canada</b>	<b>2.4</b>	<b>1.9</b>	<b>-5.3</b>	<b>6.1</b>	<b>4.3</b>
Atlantic	-0.1	2.7	-3.9	4.7	3.0
Quebec	2.9	2.7	-5.3	7.4	3.2
Ontario	2.8	2.1	-5.1	5.5	4.7
Manitoba	1.5	0.6	-4.8	4.0	4.0
Saskatchewan	1.2	-0.7	-5.2	6.0	4.0
Alberta	1.9	0.1	-8.2	7.0	4.6
British Columbia	2.7	2.7	-3.8	6.5	4.5
<b>Total inflation rate – Canada</b>	<b>2.3</b>	<b>1.9</b>	<b>0.7</b>	<b>3.0</b>	<b>2.5</b>
Atlantic	2.0	1.5	0.2	3.6	3.1
Quebec	1.7	2.1	0.8	3.4	2.5
Ontario	2.4	1.9	0.7	3.0	2.4
Manitoba	2.5	2.2	0.5	2.8	2.3
Saskatchewan	2.3	1.7	0.6	2.3	1.9
Alberta	2.4	1.8	1.1	2.9	1.4
British Columbia	2.7	2.3	0.8	2.5	2.2
<b>Employment growth – Canada</b>	<b>1.6</b>	<b>2.2</b>	<b>-5.2</b>	<b>4.7</b>	<b>3.3</b>
Atlantic	1.3	1.7	-4.1	3.7	2.4
Quebec	1.5	2.0	-4.8	4.2	3.0
Ontario	1.7	2.8	-4.8	4.5	3.7
Manitoba	1.1	1.0	-3.7	3.7	2.6
Saskatchewan	0.5	1.9	-4.7	1.9	1.3
Alberta	1.9	0.7	-6.6	5.0	3.5
British Columbia	1.4	3.0	-6.6	6.9	4.1
<b>Unemployment rate – Canada</b>	<b>5.9</b>	<b>5.7</b>	<b>9.5</b>	<b>7.6</b>	<b>6.2</b>
Atlantic	9.2	8.7	10.8	9.4	7.7
Quebec	5.5	5.1	8.9	6.3	5.1
Ontario	5.7	5.6	9.6	8.2	6.7
Manitoba	6.0	5.3	8.0	6.5	5.3
Saskatchewan	6.2	5.6	8.4	6.7	5.5
Alberta	6.7	7.0	11.4	8.7	7.1
British Columbia	4.7	4.7	8.9	6.6	5.4
<b>Retail sales growth – Canada</b>	<b>3.0</b>	<b>1.2</b>	<b>-1.3</b>	<b>12.7</b>	<b>5.9</b>
Atlantic	0.2	1.9	0.1	16.0	5.9
Quebec	3.6	0.9	-0.2	13.7	4.4
Ontario	4.5	2.3	-3.5	9.2	6.6
Manitoba	2.2	0.8	0.8	13.0	6.0
Saskatchewan	-0.5	0.3	-1.1	14.0	4.0
Alberta	1.8	-0.8	-2.3	15.5	6.0
British Columbia	1.9	0.6	2.4	15.0	6.5
<b>Housing starts – Canada (thousands of units)</b>	<b>212.8</b>	<b>208.7</b>	<b>217.8</b>	<b>278.6</b>	<b>233.8</b>
Atlantic	9.3	10.1	10.3	12.7	10.7
Quebec	46.9	48.0	54.1	69.0	58.0
Ontario	78.7	69.0	81.3	99.9	84.4
Manitoba	7.4	6.9	7.3	7.9	6.6
Saskatchewan	3.6	2.4	3.1	5.0	4.2
Alberta	26.1	27.3	24.0	32.9	27.9
British Columbia	40.9	44.9	37.7	51.2	42.0

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	
	2019	2020	2021f	2022f	2023f	2024f	2025f	2016–2020	2021–2025f
<b>United States</b>									
Real GDP (var. in %)	2.3	-3.4	6.0	4.0	2.3	1.9	1.6	1.1	3.1
Total inflation rate (var. in %)	1.8	1.2	4.3	2.9	2.3	2.1	2.0	1.8	2.7
Unemployment rate	3.7	8.1	5.5	4.4	4.0	3.8	3.7	5.0	4.3
S&P 500 index (var. in %) <sup>1</sup>	28.9	16.3	19.8	6.7	5.0	4.0	4.0	13.6	7.9
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	0.05	0.20	0.90	1.90	2.40	1.14	1.09
Federal bonds – 10-year	2.14	0.89	1.45	2.15	2.65	3.00	3.10	2.02	2.47
– 30-year	2.58	1.56	2.10	2.65	3.10	3.40	3.50	2.55	2.95
WTI oil (US\$/barrel)	57	39	64	66	64	63	61	51	64
Gold (US\$/ounce)	1,393	1,771	1,790	1,665	1,630	1,600	1,600	1,388	1,657
<b>Canada</b>									
Real GDP (var. in %)	1.9	-5.3	6.1	4.3	2.4	1.8	1.6	0.6	3.2
Total inflation rate (var. in %)	1.9	0.7	3.0	2.5	2.1	1.9	2.0	1.6	2.3
Employment (var. in %)	2.2	-5.2	4.7	3.3	1.7	1.3	1.0	0.3	2.4
Employment (thousands)	418	-986	839	625	322	256	209	41	450
Unemployment rate	5.7	9.5	7.6	6.2	5.7	5.3	4.9	6.9	5.9
Housing starts (thousands of units)	209	218	279	234	220	218	215	211	233
S&P/TSX index (var. in %) <sup>1</sup>	19.1	2.2	20.5	7.1	6.0	3.0	3.0	6.6	7.9
Exchange rate (US\$/C\$)	0.75	0.75	0.80	0.81	0.83	0.82	0.81	0.76	0.81
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	2.80	2.80	3.35	4.00	4.10	3.33	3.41
– 5-year	5.27	4.95	4.80	5.00	5.50	5.75	5.80	4.98	5.37
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	0.90	1.55	2.05	2.30	2.35	1.28	1.83
– 10-year	1.59	0.75	1.30	2.05	2.40	2.65	2.65	1.53	2.21
– 30-year	1.80	1.21	1.90	2.40	2.70	2.95	3.00	1.92	2.59
<b>Yield spreads (Canada—United States)</b>									
Treasury bills – 3-month	-0.45	0.07	0.10	0.10	0.20	-0.10	-0.40	-0.21	-0.02
Federal bonds – 10-year	-0.55	-0.14	-0.15	-0.10	-0.25	-0.35	-0.45	-0.49	-0.26
– 30-year	-0.78	-0.35	-0.20	-0.25	-0.40	-0.45	-0.50	-0.63	-0.36
<b>Quebec</b>									
Real GDP (var. in %)	2.7	-5.3	7.4	3.2	1.9	1.6	1.4	1.0	3.1
Total inflation rate (var. in %)	2.1	0.8	3.4	2.5	2.0	1.9	2.0	1.3	2.4
Employment (var. in %)	2.0	-4.8	4.2	3.0	1.5	1.2	1.0	0.4	2.2
Employment (thousands)	86	-209	174	126	66	55	46	-6	94
Unemployment rate	5.1	8.9	6.3	5.1	4.4	4.2	4.0	6.6	4.8
Retail sales (var. in %)	0.9	-0.2	13.7	4.4	4.0	3.5	3.0	3.3	5.7
Housing starts (thousands of units)	48	54	69	58	47	44	41	47	52
<b>Ontario</b>									
Real GDP (var. in %)	2.1	-5.1	5.5	4.7	2.6	2.0	1.7	0.9	3.3
Total inflation rate (var. in %)	1.9	0.7	3.0	2.4	2.1	2.0	2.0	1.7	2.3
Employment (var. in %)	2.8	-4.8	4.5	3.7	1.7	1.4	1.1	0.5	2.5
Employment (thousands)	204	-355	318	272	129	108	86	35	183
Unemployment rate	5.6	9.6	8.2	6.7	6.1	5.3	4.8	6.7	6.2
Retail sales (var. in %)	2.3	-3.5	9.2	6.6	4.0	3.5	3.0	3.6	5.3
Housing starts (thousands of units)	69	81	100	84	82	80	78	77	85

f: forecasts; WTI : West Texas Intermediate; <sup>1</sup> 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