

ECONOMIC & FINANCIAL OUTLOOK

Many Economies Have Slowed Because of Omicron, but Inflation Will Remain High for the Foreseeable Future

HIGHLIGHTS

- ▶ Omicron is hurting economic activity in a lot of countries, and growth may be affected in late 2021 or early 2022. However, anticipations are that the economic damage caused by Omicron will heal quickly. After gaining 6.0% in 2021, global real GDP should post growth of 3.8% in 2022. The recent wave of COVID-19 cases is also having a negative impact on supply chains, which may keep inflation very high for a little while longer.
- ▶ Despite some disappointing statistics in December, the United States should see real GDP grow 5% annualized in the fourth quarter. Omicron's impact on the economy is expected to affect the first quarter of 2022. Real GDP for the year should grow 3.4%. Inflation, which already hit 7.0% in December, will remain very high in the short term before falling sometime over the course of the year. In both the United States and Canada, the first rate hike is expected in March, with a total of three hikes forecast by the end of the year.
- ▶ In Canada, the temporary health measures relating to the Omicron variant may slow the entire recovery process for real GDP. That said, the outlook for growth in 2022 and 2023 remains reasonably robust. Service sectors, in particular, should continue to recover. The annual inflation rate is expected to gradually fall starting in the spring of 2022 as the effects of the supply and demand imbalances for a lot of goods and services will begin to subside.
- ▶ In Ontario, the public health measures introduced in early 2022 are slightly more restrictive than those imposed in most of the other provinces. However, the auto industry's gradual return to normalcy in terms of output should boost Ontario's real GDP in 2022. Elsewhere in the country, things are looking especially good in Alberta thanks to the sustained global demand for oil.
- ▶ In 2021, Quebec saw the biggest growth in real GDP (over 6%) in Canada. However, the restrictive public health measures will cause the economy to slow at the beginning of the year. The pace will then be more moderate, even as the restrictions are gradually loosened. Expected growth in 2022 was revised down from 2.8% to 2.2%, followed by 2.1% in 2023. After quickly bouncing back last year, the economy will return at a rate closer to its potential.

MAIN CHANGES

- ▶ The rapid spread of Omicron and its harmful effects on many economies worldwide earlier this year will result in real GDP forecasts for 2022 being revised down generally.
- ▶ The supply problems that will take longer to go away as the pandemic worsens will keep inflation higher longer in 2022 in much of the world. As a result, forecasts were raised.

CONTENTS

Highlights and Main Changes.....	1	Risks Inherent in Our Scenarios.....	2	Financial Forecasts.....	3
----------------------------------	---	--------------------------------------	---	--------------------------	---

Jimmy Jean, Vice-President, Chief Economist and Strategist

Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist • Hendrix Vachon, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2022, Desjardins Group. All rights reserved.

RISKS INHERENT TO OUR SCENARIOS

The pandemic is far from over and remains a major risk factor as shown by the sudden rise in COVID-19 cases caused by the Omicron variant. New waves of the pandemic and the spread of new variants that may be more resistant to vaccines could cause a bleaker economic outlook again if they force an extension or a reintroduction of public health restrictions. This would also affect the financial markets by sapping profit outlooks and investor optimism. The many supply and demand imbalances, including production constraints stemming from the pandemic and supply problems, have accelerated inflation, and this could persist, particularly if the pressure on wages and housing costs grows. That said, economic growth could be stronger than expected. The surplus savings amassed during the pandemic could be spent rapidly, leading to robust demand and sustained consumer price growth. 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. However, the political uncertainty fed by partisan divisions in Congress may affect the economy and the markets. Risks of a longer lasting acceleration in price growth are making things hard for central banks. Maintaining overly stimulative monetary policies or other fiscal measures to drive demand could spark a much bigger surge in inflation expectations and push bond yields higher. On the other hand, tightening monetary policies too abruptly could also trigger a negative reaction from the markets. A major financial crisis in China could also worry international investors. The risks of an eventual housing price correction in Canada persist.

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

IN %	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
		2021f	2022f	2023f	2021f	2022f	2023f
Advanced economies	40.0	4.9	3.2	2.5	3.1	3.5	1.6
United States	15.9	5.5	3.4	2.9	4.7	4.8	1.9
Canada	1.4	4.6	3.7	3.3	3.4	3.7	2.2
<i>Quebec</i>	0.3	6.3	2.2	2.1	3.8	3.5	2.0
<i>Ontario</i>	0.5	4.4	3.7	3.6	3.5	3.8	2.2
Japan	4.0	1.6	2.4	1.8	-0.2	0.9	0.5
United Kingdom	2.4	7.3	3.9	2.1	2.7	4.5	2.3
Euro zone	12.5	5.1	3.3	2.0	2.6	3.0	1.3
<i>Germany</i>	3.4	2.7	3.0	2.0	3.1	3.1	1.6
<i>France</i>	2.5	6.6	3.1	1.9	1.6	2.5	1.1
<i>Italy</i>	2.0	6.3	3.5	1.6	1.9	2.6	1.1
Other countries	4.2	2.3	1.7	1.5	1.4	1.5	0.9
<i>Australia</i>	1.0	3.5	3.1	3.0	2.8	2.7	1.9
Emerging and developing economies	60.0	6.7	4.2	4.5	3.6	4.2	3.0
North Asia	25.7	8.1	5.1	5.5	2.4	3.2	2.8
<i>China</i>	17.5	8.1	4.5	5.3	0.9	2.3	2.0
<i>India</i>	7.1	8.7	6.8	6.2	5.1	5.2	4.6
South Asia	5.3	3.3	4.6	5.0	2.0	2.6	2.5
Latin America	5.9	6.1	1.7	2.5	6.9	4.7	3.4
<i>Mexico</i>	1.9	5.5	2.3	2.3	5.7	4.4	3.4
<i>Brazil</i>	2.4	4.6	0.4	2.3	9.0	5.4	3.7
Eastern Europe	8.0	5.5	2.9	3.2	8.8	9.6	5.3
<i>Russia</i>	3.2	4.0	2.1	2.2	6.7	5.3	3.9
Other countries	15.0	7.0	3.8	3.9	4.9	6.0	4.5
<i>South Africa</i>	0.6	5.0	1.8	1.9	4.5	4.9	4.0
World	100.0	6.0	3.8	3.7	3.4	3.9	2.4

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

There was a lot of movement in the U.S. bond market at the start of the year. Rising consumer prices are playing on the market's inflation expectations, and investors are increasingly discounting scenarios that include rate hikes. In December, the Federal Reserve's officials were counting on three hikes of 25 basis points each for 2022, which is our scenario, too. The Bank of England went one step further by being the first of the main central banks to raise its key rate 25 basis points in December. In Canada, key rates should begin climbing in March for a total of three hikes by the end of the year. Meanwhile, the entire bond yield curve is expected to rise in the next few quarters. Currently sitting at almost 1.85%, the 10-year Canadian yield should climb to around 2.35% in the fourth quarter of 2022, with higher policy rates likely to hinder stock market performance. After two good years, U.S. and Canadian indexes should advance by about 3% and 5% respectively in 2022. A brighter economy and higher profits should buoy the markets. A new oil glut on the market is expected to help boost inventories and cause the price of a barrel of oil to a drop; the same situation applies to many commodities. This, in turn, will help limit the rise in the value of the Canadian dollar, which is expected to end the year around US\$0.80.

TABLE 2
Summary of the financial forecasts

END OF PERIOD IN % (EXCEPT IF INDICATED)	2021		2022				2023			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	0.25	0.25	0.50	0.75	1.00	1.00	1.25	1.50	1.75	1.75
Canada	0.25	0.25	0.50	0.75	1.00	1.00	1.25	1.25	1.50	1.50
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25
United Kingdom	0.10	0.25	0.50	0.75	0.75	0.75	1.00	1.00	1.25	1.25
Federal bonds										
<u>United States</u>										
2-year	0.26	0.66	1.05	1.25	1.40	1.55	1.70	1.90	2.05	2.20
5-year	0.98	1.25	1.65	1.80	1.95	2.05	2.15	2.25	2.35	2.45
10-year	1.53	1.50	1.95	2.15	2.30	2.40	2.50	2.60	2.70	2.80
30-year	2.09	1.89	2.30	2.55	2.70	2.80	2.90	3.00	3.10	3.20
<u>Canada</u>										
2-year	0.53	0.95	1.30	1.45	1.55	1.65	1.75	1.95	2.05	2.15
5-year	1.11	1.25	1.70	1.85	2.00	2.10	2.20	2.25	2.30	2.30
10-year	1.51	1.42	1.90	2.10	2.25	2.35	2.40	2.45	2.50	2.50
30-year	1.98	1.68	2.10	2.35	2.50	2.60	2.65	2.70	2.75	2.80
Currency market										
Canadian dollar (USD/CAD)	1.27	1.26	1.23	1.23	1.24	1.25	1.25	1.25	1.26	1.27
Canadian dollar (CAD/USD)	0.79	0.79	0.81	0.81	0.81	0.80	0.80	0.80	0.80	0.79
Euro (EUR/USD)	1.16	1.14	1.14	1.14	1.15	1.16	1.17	1.18	1.19	1.20
British pound (GBP/USD)	1.35	1.35	1.36	1.37	1.38	1.39	1.40	1.40	1.41	1.41
Yen (USD/JPY)	111	115	115	115	116	116	116	115	114	113
Stock markets (level and growth)*										
United States – S&P 500	4,700		Target: 4,900 (+2.9%)				Target: 5,050 (+3.1%)			
Canada – S&P/TSX	21,500		Target: 22,300 (+5.1%)				Target: 23,400 (+4.9%)			
Commodities (annual average)										
WTI oil (US\$/barrel)	68 (75*)		73 (70*)				66 (65*)			
Gold (US\$/ounce)	1,800 (1,800*)		1,750 (1,700*)				1665 (1610*)			

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)	2021		2022				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2020	2021f	2022f	2023f
Real GDP (2012 US\$)	2.3	4.9	1.7	3.8	3.5	2.8	-3.4	5.5	3.4	2.9
Personal consumption expenditures	2.0	3.3	1.8	3.1	3.5	2.2	-3.8	7.9	3.2	2.5
Residential construction	-7.7	3.1	4.1	4.4	3.4	1.8	6.8	9.3	1.1	1.9
Business fixed investment	1.7	6.3	6.3	8.2	7.6	6.0	-5.3	7.6	6.4	5.9
Inventory change (US\$B)	-66.8	45	-10.0	15.0	40.0	50.0	-42.3	-69.6	23.8	75.0
Public expenditures	0.9	0.7	1.3	1.9	1.9	1.9	2.5	0.7	1.1	1.9
Exports	-5.3	10.0	2.0	4.0	4.5	4.5	-13.6	3.8	3.7	4.6
Imports	4.7	10.0	0.0	5.0	9.0	4.0	-8.9	13.5	5.2	4.7
Final domestic demand	1.3	3.2	2.4	3.6	3.7	2.6	-2.5	6.6	3.1	2.8
Other indicators										
Nominal GDP	8.4	10.5	5.7	6.3	5.6	4.8	-2.2	9.8	7.4	5.1
Employment according to establishments	6.7	3.6	2.1	2.9	3.2	1.7	-5.7	2.7	3.4	1.6
Unemployment rate (%)	5.1	4.2	3.8	3.7	3.7	3.7	8.1	5.4	3.7	3.6
Housing starts ¹ (thousands of units)	1,562	1,624	1,625	1,663	1,670	1,667	1,396	1,593	1,656	1,681
Total inflation rate*	5.3	6.7	7.1	5.4	4.1	2.6	1.2	4.7	4.8	1.9
Core inflation rate* ²	4.1	5.0	6.0	4.8	4.0	3.1	1.7	3.6	4.5	2.2

f: forecasts; * Annual change; ¹ Annualized basis; ² Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2021		2022				ANNUAL AVERAGE			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2020	2021f	2022f	2023f
Real GDP (2012 \$)	5.4	5.5	0.8	5.2	6.2	3.6	-5.2	4.6	3.7	3.3
Final consumption expenditure [of which:]	12.1	6.3	-0.4	4.6	5.9	2.3	-4.5	5.4	4.3	2.8
Household consumption expenditure	17.9	7.7	-1.5	6.1	8.7	4.0	-6.2	5.6	5.6	4.6
Governments consumption expenditure	-0.7	3.2	2.2	1.0	-0.9	-1.8	0.0	5.1	1.2	-1.5
Gross fixed capital formation [of which:]	-13.7	3.3	3.6	4.8	6.6	3.2	-2.8	8.1	3.5	3.5
Residential structures	-31.3	-3.8	-3.0	0.1	1.2	-0.1	4.3	14.3	-6.7	1.7
Non-residential structures	-1.1	12.5	6.2	7.8	12.2	5.7	-10.0	-4.6	7.3	5.6
Machinery and equipment	-0.7	3.6	5.7	8.5	13.8	7.1	-15.4	6.6	7.8	6.3
Intellectual property products	-5.7	-3.3	6.4	8.1	12.6	5.9	-3.3	2.2	3.8	5.7
Governments gross fixed capital formation	8.7	8.8	12.0	7.4	4.0	3.1	6.2	4.7	7.1	2.8
Investment in inventories (2012 \$B)	-8.3	-13.8	-16.9	-1.8	0.9	4.1	-18.7	-5.9	-3.4	-1.6
Exports	8.0	3.6	7.2	12.8	12.2	9.1	-9.7	1.0	6.7	6.7
Imports	-2.3	1.0	4.8	20.1	13.3	7.5	-10.8	6.2	7.0	5.9
Final domestic demand	5.4	5.6	0.5	4.6	6.0	2.5	-4.1	5.5	3.6	3.0
Other indicators										
Nominal GDP	8.9	6.3	1.7	9.4	8.3	5.3	-4.5	12.3	6.2	5.1
Employment	7.4	6.2	1.6	3.8	2.7	2.2	-5.2	4.8	3.8	2.1
Unemployment rate (%)	7.2	6.2	6.1	5.7	5.4	5.5	9.5	7.5	5.7	5.3
Housing starts ¹ (thousands of units)	262	259	248	242	235	227	217	271	238	219
Total inflation rate*	4.1	4.7	4.9	4.3	3.2	2.3	0.7	3.4	3.7	2.2
Core inflation rate* ²	3.0	3.2	3.6	3.1	2.5	2.0	1.1	2.3	2.8	1.8

f: forecasts; * Annual change; ¹ Annualized basis; ² Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2019	2020	2021f	2022f	2023f
Real GDP (2012 \$)	2.8	-5.5	6.3	2.2	2.1
Final consumption expenditure [of which:]	2.2	-4.1	5.5	3.6	3.2
Household consumption expenditure	1.6	-6.1	6.0	3.9	3.6
Governments consumption expenditure	3.5	0.5	5.3	3.1	2.5
Gross fixed capital formation [of which:]	2.2	-2.9	5.2	-1.3	0.2
Residential structures	3.7	3.1	13.3	-5.7	-3.4
Non-residential structures	10.2	-8.0	-5.7	-2.1	1.0
Machinery and equipment	-1.0	-16.0	-3.7	2.1	2.2
Intellectual property products	-1.4	-2.1	3.8	-0.3	1.5
Governments gross fixed capital formation	-2.3	-0.3	6.3	5.0	3.6
Investment in inventories (2012 \$B)	4,066	-5,328	373	175	1,250
Exports	2.7	-7.9	5.3	5.1	4.4
Imports	0.5	-8.5	7.0	5.5	5.4
Final domestic demand	2.2	-3.8	5.6	2.6	2.6
Other indicators					
Nominal GDP	4.7	-2.4	11.0	5.2	4.3
Real disposable personal income	3.3	8.5	1.2	0.0	1.2
Weekly earnings	3.5	7.8	3.2	4.1	4.2
Employment	2.0	-4.8	4.1	2.4	1.9
Unemployment rate (%)	5.1	8.9	6.1	5.2	4.5
Personal saving rate (%)	7.0	19.2	15.8	12.4	9.9
Retail sales	0.9	-0.2	13.2	4.6	3.7
Housing starts ¹ (thousands of units)	48.0	53.4	67.8	55.0	52.0
Total inflation rate	2.1	0.8	3.8	3.5	2.0

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)	2019	2020	2021f	2022f	2023f
Real GDP (2012 \$)	2.0	-5.1	4.4	3.7	3.6
Final consumption expenditure [of which:]	1.5	-5.8	4.8	4.6	2.9
Household consumption expenditure	1.6	-7.8	4.5	5.7	4.5
Governments consumption expenditure	1.0	-0.2	5.8	1.4	-1.5
Gross fixed capital formation [of which:]	-0.7	1.3	11.0	0.3	3.4
Residential structures	0.3	6.8	17.2	-7.9	1.5
Non-residential structures	1.4	-0.1	-0.6	8.0	5.0
Machinery and equipment	-0.5	-12.6	14.5	8.2	4.9
Intellectual property products	-2.4	1.0	9.1	3.5	5.0
Governments gross fixed capital formation	-3.9	3.1	6.1	6.4	3.5
Investment in inventories (2012 \$B)	8,789	-5,876	-1,378	-240	466
Exports	2.3	-7.3	0.9	6.1	6.6
Imports	0.6	-8.9	5.5	5.7	5.6
Final domestic demand	1.0	-4.3	6.2	3.5	3.0
Other indicators					
Nominal GDP	3.7	-2.8	11.7	6.2	5.2
Real disposable personal income	3.2	9.5	1.1	-0.7	3.2
Weekly earnings	2.7	7.3	3.7	2.2	2.3
Employment	2.8	-4.8	4.9	5.0	2.1
Unemployment rate (%)	5.6	9.6	8.0	5.9	5.6
Personal saving rate (%)	0.0	15.1	7.6	7.2	6.0
Retail sales	2.3	-3.5	8.4	6.8	5.3
Housing starts ¹ (thousands of units)	69.0	80.8	99.6	89.0	79.8
Total inflation rate*	1.9	0.7	3.5	3.8	2.2

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)	2019	2020	2021	2022f	2023f
Real GDP growth – Canada	1.9	-5.2	4.6	3.7	3.3
Atlantic	2.7	-3.5	2.6	3.0	2.0
Quebec	2.8	-5.5	6.3	2.2	2.1
Ontario	2.0	-5.1	4.4	3.7	3.6
Manitoba	0.4	-4.6	3.3	3.0	2.7
Saskatchewan	-1.1	-4.9	3.0	4.0	3.0
Alberta	-0.1	-7.9	4.9	5.5	4.0
British Columbia	3.1	-3.4	3.9	4.5	3.5
Total inflation rate – Canada	1.9	0.7	3.4	3.7	2.2
Atlantic	1.5	0.2	3.9	3.7	2.3
Quebec	2.1	0.8	3.8	3.5	2.0
Ontario	1.9	0.7	3.5	3.8	2.2
Manitoba	2.2	0.5	3.3	3.5	2.0
Saskatchewan	1.7	0.6	2.6	2.8	2.0
Alberta	1.8	1.1	3.2	3.8	2.2
British Columbia	2.3	0.8	2.8	3.5	2.1
Employment growth – Canada	2.2	-5.2	4.8	3.8	2.1
Atlantic	1.7	-4.1	3.8	1.8	1.3
Quebec	2.0	-4.8	4.1	2.4	1.9
Ontario	2.8	-4.8	4.9	5.0	2.1
Manitoba	1.0	-3.7	3.6	2.6	1.8
Saskatchewan	1.9	-4.7	2.6	2.0	1.5
Alberta	0.7	-6.6	5.1	4.0	2.5
British Columbia	3.0	-6.6	6.6	4.5	2.2
Unemployment rate – Canada	5.7	9.5	7.5	5.7	5.3
Atlantic	8.7	10.8	9.5	7.5	7.1
Quebec	5.1	8.9	6.1	5.2	4.5
Ontario	5.6	9.6	8.0	5.9	5.6
Manitoba	5.3	8.0	6.4	5.0	4.6
Saskatchewan	5.6	8.4	6.5	5.1	4.7
Alberta	7.0	11.4	8.7	6.7	6.2
British Columbia	4.7	8.9	6.5	5.0	4.6
Retail sales growth – Canada	1.2	-1.3	11.5	6.3	5.1
Atlantic	1.9	0.1	13.9	5.9	4.4
Quebec	0.9	-0.2	13.2	4.6	3.7
Ontario	2.3	-3.5	8.4	6.8	5.3
Manitoba	0.8	0.8	15.0	6.0	5.0
Saskatchewan	0.3	-1.1	11.0	6.5	5.0
Alberta	-0.8	-2.3	13.5	7.5	6.0
British Columbia	0.6	2.4	13.0	7.0	6.0
Housing starts – Canada (thousands of units)	208.7	216.7	271.2	238.0	219.4
Atlantic	10.1	10.3	12.1	11.0	10.4
Quebec	48.0	53.4	67.8	55.0	52.0
Ontario	69.0	80.8	99.6	89.0	79.8
Manitoba	6.9	7.3	8.0	7.2	7.0
Saskatchewan	2.4	3.1	4.2	3.8	3.5
Alberta	27.3	24.0	31.9	29.0	26.7
British Columbia	44.9	37.9	47.6	43.0	40.0

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	
	2020	2021	2022f	2023f	2024f	2025f	2026f	2016–2020	2021–2026f
United States									
Real GDP (var. in %)	-3.4	5.5	3.4	2.9	2.1	1.6	1.7	1.1	2.9
Total inflation rate (var. in %)	1.2	4.7	4.8	1.9	2.2	2.1	2.0	1.8	2.9
Unemployment rate	8.1	5.4	3.7	3.6	3.6	3.6	3.5	5.0	3.9
S&P 500 index (var. in %) ¹	16.3	26.9	2.8	3.1	3.0	3.0	3.0	13.6	7.0
Federal funds rate	0.54	0.25	0.80	1.60	2.30	2.50	2.50	1.27	1.66
Prime rate	3.54	3.25	3.80	4.60	5.30	5.50	5.50	4.27	4.66
Treasury bills – 3-month	0.37	0.05	0.70	1.50	2.30	2.40	2.40	1.14	1.56
Federal bonds – 10-year	0.89	1.43	2.20	2.65	3.00	3.05	3.05	2.02	2.56
– 30-year	1.56	2.05	2.60	3.05	3.35	3.40	3.40	2.55	2.98
WTI oil (US\$/barrel)	39	68	73	66	65	64	60	51	66
Gold (US\$/ounce)	1,771	1,800	1,750	1,665	1,600	1,600	1,600	1,388	1,669
Canada									
Real GDP (var. in %)	-5.2	4.6	3.7	3.3	1.9	1.6	1.7	0.7	2.8
Total inflation rate (var. in %)	0.7	3.4	3.7	2.2	2.3	2.0	2.1	1.6	2.6
Employment (var. in %)	-5.2	4.8	3.8	2.1	1.4	1.0	1.2	0.3	2.4
Employment (thousands)	-986	866	720	411	278	212	241	41	455
Unemployment rate	9.5	7.5	5.7	5.3	5.2	4.9	4.8	6.9	5.6
Housing starts (thousands of units)	217	271	238	219	218	215	220	211	230
S&P/TSX index (var. in %) ¹	2.2	21.7	5.1	4.9	4.0	3.0	3.0	6.6	7.0
Exchange rate (US\$/C\$)	0.75	0.80	0.81	0.80	0.79	0.78	0.78	0.76	0.79
Overnight funds	0.56	0.25	0.80	1.40	1.90	2.00	2.00	0.98	1.39
Prime rate	2.75	2.45	3.00	3.60	4.10	4.20	4.20	3.18	3.59
Mortgage rate – 1-year	3.25	2.80	3.00	3.55	4.05	4.10	4.10	3.33	3.60
– 5-year	4.95	4.79	5.30	5.70	5.80	5.85	5.85	4.98	5.55
Treasury bills – 3-month	0.44	0.11	0.90	1.40	1.90	2.00	2.00	0.93	1.39
Federal bonds – 2-year	0.51	0.48	1.50	2.00	2.20	2.20	2.20	1.15	1.76
– 5-year	0.60	0.95	1.90	2.25	2.30	2.30	2.30	1.28	2.00
– 10-year	0.75	1.36	2.15	2.45	2.60	2.60	2.60	1.53	2.29
– 30-year	1.21	1.85	2.40	2.75	2.90	2.90	2.90	1.92	2.62
<u>Yield spreads (Canada—United States)</u>									
Treasury bills – 3-month	0.07	0.06	0.20	-0.10	-0.40	-0.40	-0.40	-0.21	-0.17
Federal bonds – 10-year	-0.14	-0.07	-0.05	-0.20	-0.40	-0.45	-0.45	-0.49	-0.27
– 30-year	-0.35	-0.20	-0.20	-0.30	-0.45	-0.50	-0.50	-0.63	-0.36
Quebec									
Real GDP (var. in %)	-5.5	6.3	2.2	2.1	1.7	1.4	1.6	0.9	2.5
Total inflation rate (var. in %)	0.8	3.8	3.5	2.0	2.2	2.0	2.1	1.3	2.6
Employment (var. in %)	-4.8	4.1	2.4	1.9	1.3	1.0	1.1	0.4	2.0
Employment (thousands)	-209	169	102	85	57	46	50	-6	85
Unemployment rate	8.9	6.1	5.2	4.5	4.2	3.9	3.6	6.6	4.6
Retail sales (var. in %)	-0.2	13.2	4.6	3.7	3.5	3.0	3.0	3.3	5.2
Housing starts (thousands of units)	53	68	55	52	44	41	42	47	50
Ontario									
Real GDP (var. in %)	-5.1	4.4	3.7	3.6	2.0	1.7	1.8	1.1	2.9
Total inflation rate (var. in %)	0.7	3.5	3.8	2.2	2.4	2.1	2.1	1.7	2.7
Employment (var. in %)	-4.8	4.9	5.0	2.1	1.4	1.1	1.2	0.5	2.6
Employment (thousands)	-355	345	370	163	111	88	97	35	196
Unemployment rate	9.6	8.0	5.9	5.6	5.3	4.8	4.7	6.7	5.7
Retail sales (var. in %)	-3.5	8.4	6.8	5.3	4.5	3.7	4.0	3.6	5.5
Housing starts (thousands of units)	81	100	89	80	80	78	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