ECONOMIC & FINANCIAL OUTLOOK

Economic Growth Will Weaken Further

HIGHLIGHTS

- The risk of a recession has increased in several economies. The hardest hit countries are the ones that are most affected by stagnating global trade. These include Germany, whose problems are starting to weigh on Euroland's economy. The situation is just as fragile in the United Kingdom, where the Brexit issue is back in the headlines.
- The emerging economies are also being affected, particularly China, the main focus of the trade war launched by the United States.
- The forecast for global real GDP growth for 2019 is steady at 3.1%. However, the forecast for 2020 has been downgraded from 3.1% to 3.0%.
- A period of soft global economic growth could last until 2021. The actions taken by central banks this year, including the interest rate cut in the United States, will probably not be enough to trigger lasting acceleration.
- In the United States, the risk of a recession will remain high until the trade war cools. For the moment, consumer spending is still strong and the job market seems to be holding up overall. However, U.S. consumers could be shaken by the tariff battle with China.
- In this context, the forecast for U.S. real GDP growth in 2020 has been downgraded to 1.6% compared with 2.3% in 2019. The Federal Reserve should continue with its mid-cycle adjustment, cutting key rates by another 25 points by the end of 2019.
- The situation is different in Canada, however. The economy's resilience persuaded the Bank of Canada to keep key rates unchanged in September. The status quo could persist in a context in which the drop in bond yields already seems to have kickstarted the real estate market again. However, a close eye will have to be kept on the impact of the trade conflicts.
- The provinces will be affected by global protectionism, and most should see their economies slow in 2019 and 2020. Ontario and British Columbia, however, should benefit from improved housing sectors, and could stand out with slightly stronger growth than the other provinces next year.
- In Quebec, economic growth is surprisingly lively. Real GDP growth should even hit 2.5% in 2019, the best performance in the country. However, the global economy's slower pace and trade obstacles are affecting Quebec. The negative impacts on exports and business investment will limit economic growth to 1.5% next year.

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

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. In the United Kingdom, a no-deal Brexit that could hurt the economy and markets remains possible in the near term. In the United States, the Trump administration's policies could make the situation diverge from our scenarios—positively or negatively. Negative market sentiment could intensify to the point of causing financial conditions to tighten significantly, especially if the central banks appeared to have no more ammunition at their disposal, if trade tensions continued to escalate, or if fears of a recession were to 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; this risk has risen given the recent attacks on Saudi facilities. In Canada, concern over high household debt loads intensified recently, as the housing market began trending up again. Several areas, including Montreal and Ottawa, are overheating, with sales and prices spiking.

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

	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
IN %		2018	2019f	2020f	2018	2019f	2020f
Advanced economies	**38.3**	**2.2**	**1.7**	**1.1**	**1.9**	**1.4**	**1.6**
United States	15.2	2.9	2.3	1.6	2.4	1.8	1.9
Canada	1.3	1.9	1.6	1.5	2.3	2.0	1.7
Quebec	*0.3*	*2.5*	*2.5*	*1.5*	*1.7*	*1.9*	*1.6*
Ontario	*0.5*	*2.3*	*1.5*	*1.6*	*2.4*	*2.0*	*1.8*
Japan	4.3	0.8	1.3	0.1	1.0	0.6	0.7
United Kingdom	2.2	1.4	1.0	0.6	2.5	1.9	1.9
Euro zone	11.7	1.9	1.1	0.7	1.8	1.3	1.3
Germany	*3.3*	*1.5*	*0.7*	*0.7*	*1.7*	*1.5*	*1.5*
France	*2.3*	*1.7*	*1.3*	*0.8*	*1.9*	*1.2*	*1.3*
Italy	*1.9*	*0.7*	*0.0*	*0.1*	*1.1*	*0.9*	*1.1*
Other countries	3.9	1.6	1.1	0.9	1.1	0.9	1.0
Australia	*0.9*	*2.7*	*1.9*	*2.1*	*1.9*	*1.6*	*1.9*
Emerging and developing economies	**61.7**	**4.5**	**3.9**	**4.0**	**4.7**	**4.5**	**4.1**
North Asia	26.9	6.5	6.0	5.8	2.7	2.8	2.9
China	*18.3*	*6.6*	*6.2*	*5.9*	*2.1*	*2.3*	*2.2*
India	*7.4*	*6.8*	*6.2*	*6.1*	*4.0*	*3.8*	*4.2*
South Asia	5.3	4.9	4.4	4.2	2.4	2.2	2.5
Latin America	6.0	1.8	1.2	1.5	3.4	3.6	3.5
Mexico	*1.8*	*2.0*	*0.9*	*1.5*	*4.9*	*3.6*	*3.5*
Brazil	*2.5*	*1.1*	*0.8*	*1.0*	*2.9*	*3.9*	*3.9*
Eastern Europe	7.4	3.4	1.3	1.9	5.9	6.3	5.4
Russia	*3.0*	*2.3*	*1.0*	*1.2*	*2.9*	*4.4*	*3.9*
Other countries	16.0	2.3	2.0	2.7	10.9	8.6	7.7
South Africa	*0.6*	*0.7*	*0.5*	*1.2*	*4.5*	*4.4*	*4.8*
World	**100.0**	**3.6**	**3.1**	**3.0**	**3.4**	**3.1**	**3.0**

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

Bond yields and the stock markets have surged since the start of September. Although the economic environment remains highly uncertain, signs of easing trade tensions between China and the United States have triggered more positive sentiment in financial markets. Note that August's tumble by long-term bond yields seems overblown, particularly given that the latest North American inflation numbers were relatively solid. The Federal Reserve proceeded with a second 25-basis-point key rate cut on September 18. The weak global economy and manufacturing sector should convince it to make another move by the end of 2019. The European Central Bank also recently announced further monetary policy easing. In Canada, the situation is different: in September, the economy's resilience convinced the Bank of Canada (BoC) to keep its key rates unchanged. The BoC says it is keeping a close eye on the global situation and its impact on the Canadian outlook, but the status quo could persist given that the drop in bond yields already seems to have kickstarted the real estate market. Already buoyed by more positive investor sentiment, oil prices jumped following an unprecedented attack on Saudi facilities. Even without an actual shortage, a certain premium on oil prices could persist in the months to come. Ongoing international uncertainty should keep the loonie close to US$0.75.

TABLE 2
Summary of the financial forecasts

	2018		2019				2020			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4	Q1	Q2	Q3f	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										
United States										
2-year	2.82	2.51	2.29	1.76	1.70	1.55	1.55	1.60	1.65	1.55
5-year	2.95	2.49	2.23	1.76	1.60	1.55	1.55	1.55	1.65	1.50
10-year	3.06	2.69	2.41	2.00	1.70	1.65	1.65	1.70	1.75	1.60
30-year	3.21	3.02	2.82	2.53	2.15	2.10	2.10	2.15	2.20	2.05
Canada										
2-year	2.21	1.86	1.55	1.47	1.55	1.55	1.55	1.55	1.60	1.50
5-year	2.33	1.88	1.52	1.39	1.40	1.40	1.45	1.50	1.60	1.50
10-year	2.42	1.96	1.62	1.46	1.35	1.35	1.45	1.55	1.65	1.50
30-year	2.41	2.18	1.90	1.68	1.50	1.50	1.60	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	1.10	1.09	1.08	1.09	1.10	1.09
British pound (GBP/USD)	1.30	1.27	1.30	1.27	1.25	1.24	1.23	1.24	1.26	1.25
Yen (USD/JPY)	114	110	111	108	107	106	105	106	107	106
Stock markets (level and growth)*										
United States – S&P 500	2,507		Target: 3,000 (+19.7%)				Target: 3,150 (+5.0%)			
Canada – S&P/TSX	14,323		Target: 16,850 (+17.6%)				Target: 17,650 (+4.7%)			
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

Overseas

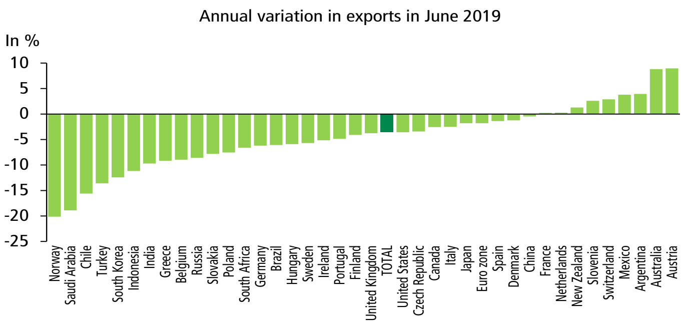
The Trade War Is Hurting the Global Economy

FORECASTS

The risk of a recession has increased in several economies. The hardest hit countries are the ones that are most affected by stagnating global trade. Germany is among them, and its problems are starting to weigh on Euroland's economy. The situation is just as fragile in the United Kingdom, where the Brexit issue is back in the political, economic and financial headlines. The grimmer context is not leaving the emerging economies unscathed, especially with China, the main focus of the trade war launched by the United States. The forecast for global real GDP growth for 2019 is steady at 3.1%. However, the forecast for 2020 has been downgraded from 3.1% to 3.0%.

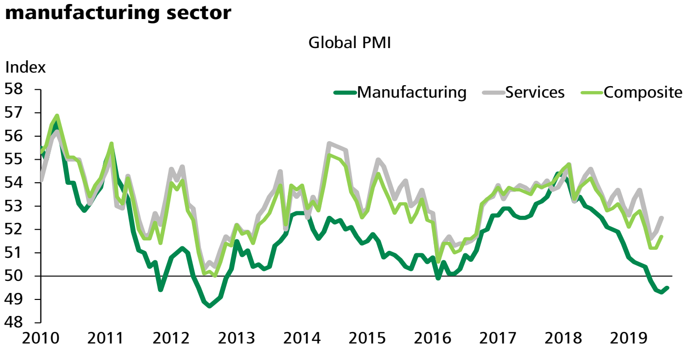
World trade continued to erode in recent months, and its annual variation is showing stagnation at best. Moreover, most of the advanced and emerging economies are seeing exports retreat (graph 1). The drop in pace is primarily affecting manufacturing, as reflected in the soft global manufacturing PMI index, which has been under the 50 mark for several months now (graph 2).

GRAPH 1
Most of the leading and emerging economies are seeing exports decline



Sources: Organisation for Economic Co-operation and Development and Desjardins, Economic Studies

GRAPH 2
The drop in the global PMI index remains confined to the manufacturing sector



Sources: IHS/Markit, Datastream and Desjardins, Economic Studies

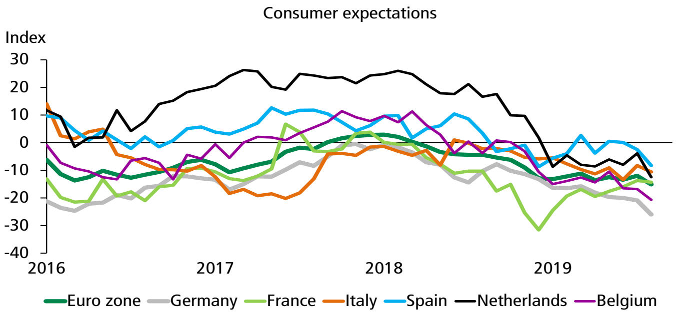
We can take comfort from the fact that the service sectors are generally doing better, and that, in the goods-producing sectors, consumer goods have been less affected than capital or intermediate goods. Unfortunately, the tariffs on China from the Trump administration since September 1 and as of December 15 will further affect consumer goods. Trade and the global economy could be affected more negatively in the coming months… unless tension between China and the United States start easing shortly.

EURO ZONE

Germany is one of the countries being hurt by the decline in global trade. The euro zone's leading economy saw its real GDP contract last spring, and the German government has signalled that the situation remains difficult in the third quarter, with industrial output declining again. Labour market problems are also beginning to form. In Italy, the political and economic situation remains shaky, but the new coalition government is providing a ray of hope that the situation will stabilize. Italy's economy should still remain anemic for the next few quarters. The situation is better in France. The domestic economy, particularly business investment, is posting better growth than neighbouring economies; it is one of the only countries in the euro zone to see consumer confidence improve recently (graph 3 on page 5).

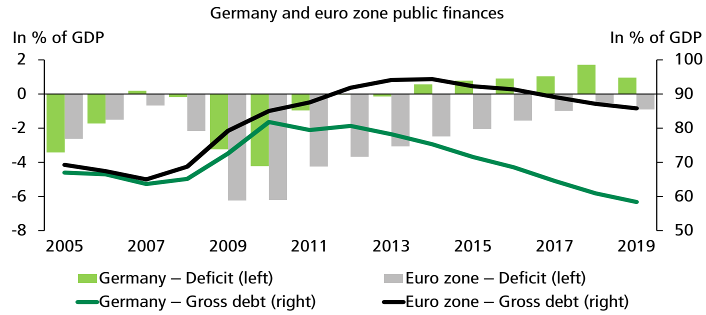
On September 12, the European Central Bank (ECB) agreed that the economic situation called for new monetary policy support. One key rate was taken further into negative territory, and securities purchases will resume. ECB leaders are also trying to put more pressure on governments to support the economy, either through structural reforms to boost growth over the long term or through economic stimulus plans. Not all countries will have the will or leeway to step up, but Germany could be a good candidate (graph 4 on page 5). For now, Euroland's real GDP growth forecast has been downgraded from 1.2% to 1.1% for 2019 and from 1.1% to 0.7% for 2020.

GRAPH 3
Confidence erodes further in the euro zone… except for France



Sources: European Commission and Desjardins, Economic Studies

GRAPH 4
Germany is in good position in terms of budget

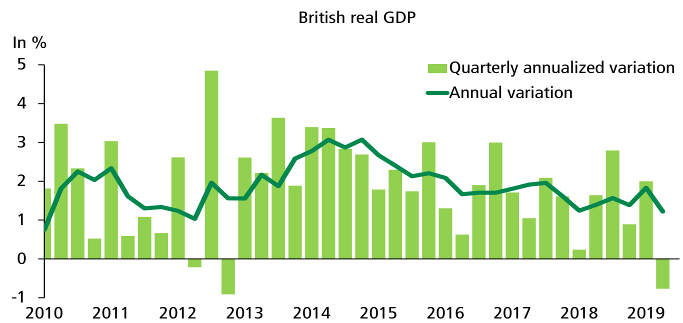


Sources: European Commission and Desjardins, Economic Studies

UNITED KINGDOM

After accelerating in the first quarter of 2019, last spring U.K.'s real GDP posted its first fall-off since the 2012 post-Olympics pullback (graph 5). This time, the dip came from the fluctuations associated with preparations for Brexit, which was to come at the end of the winter. For the third quarter, monthly GDP growth in June and July provides for a positive carryover for quarterly real GDP. However, Boris Johnson's taking of the British government's helm and the looming new October 31 deadline have put the Brexit issue front and centre again. Despite the efforts made by members of Parliament, a no-deal Brexit cannot be completely ruled out by this deadline. This would have adverse consequences for the U.K.'s economy, and would probably put it into recession. Even without this scenario, Britain's real GDP growth will be slow over the next year.

GRAPH 5
The United Kingdom's economy contracted last spring

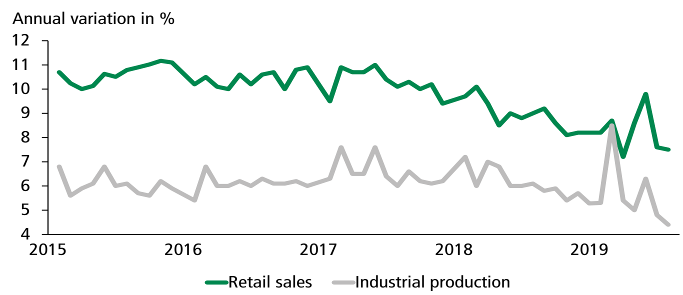


Sources: Office for National Statistics and Desjardins, Economic Studies

EMERGING ECONOMIES

Targeted by the United States, China's foreign trade is, of course, having difficulties. The domestic economy also seems to be slowing. Investment is growing more slowly, as are retail sales and current production (graph 6). China's real GDP growth should drop below 6% in 2020. The forecasts for India's economy have been downgraded steeply, with results for many indicators delivering substantial disappointment. Growth should be closer to 6% than 7%.

GRAPH 6
The main indicators continue to slow in China



Sources: National Bureau of Statistics and Desjardins, Economic Studies

United States

U.S. Consumers Could Feel the Trade War More

FORECASTS

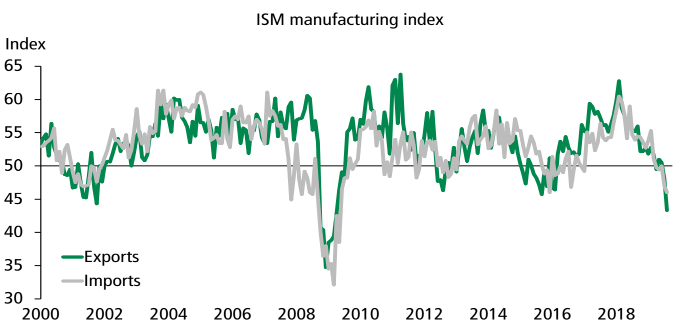
Signs that the U.S. economy is slowing are on the rise, although the weakness is not widespread. The economy lost speed in the second quarter, posting annualized real GDP growth of 2.0%. A similar gain is expected for the third quarter. Caused by the trade war, among other things, so far, the slowdown has had more of an effect on the manufacturing sector and business investment. However, the new tariff increases will have a bigger impact on consumers. In this context, forecasts for 2020 have been downgraded. Real GDP growth of just 1.6% is now projected for next year, compared with 2019's 2.3%. The Federal Reserve should continue with its mid-cycle adjustment, cutting key rates by another 25 points by the end of 2019.

For now, there is no need to worry too much about the U.S. economy. Last spring, its main driver, real consumption, posted its best growth since the end of 2014. Moreover, the summer got off to such a good start for household spending that the third quarter is expected to show another solid advance by real consumption. Overall, the job market seems to be holding up and most consumer confidence indexes remain relatively high. Clearly, for now, the U.S. economy's slower pace is not coming from households.

The situation is different for businesses. Overall, non-residential investment fell 0.6% in the second quarter, including a 9.4% tumble by non-residential construction. Investment's weakness could be due to the uncertainties surrounding the trade war and tariff battle being waged by China and the United States. This uncertain climate is not conducive to investment, despite currently low interest rates and the corporate tax cuts ordered at the end of 2017. Manufacturing lies at the heart of the problems. In August, the ISM manufacturing index dropped below 50 for the first time since the summer of 2016; the components that dragged it down the most are linked to new orders, and orders associated with international trade (graph 7). Manufacturing output is down 1.1% from last December's peak. This indicator is posting its worst performance since 2016. Manufacturing job creation has also been fairly weak for several months. To date, 44,000 jobs have been created this year compared with 170,000 for the same period in 2018. Some economic weak spots are also emerging regionally, particularly in the Midwest, the United States' industrial heartland. All in all, we expect business investment to contribute very little to real GDP growth in the coming quarters, at least as long as the trade war continues.

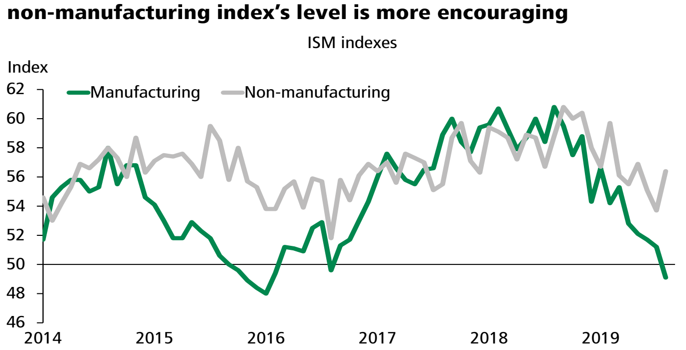
Consumption's solid performance and the service sector's resilience are currently curbing the risk of a recession in the United States. While the manufacturing ISM dropped below 50 in August, the non-manufacturing index rebounded instead (graph 8). What remains to be seen is whether this can last. The tariff increases since September 1 and as of December 15 should have a bigger impact on households, given the mix of goods involved. So far, they have mainly affected intermediate goods, and the tariffs' impact was more dispersed between producers, importers, wholesalers...

GRAPH 7
Manufacturing ISM components associated with international trade have fallen to their lowest level since the crisis



Sources: Institute for Supply Management and Desjardins, Economic Studies

GRAPH 8
The drop in the manufacturing ISM is worrisome, but the non-manufacturing index's level is more encouraging



Sources: Institute for Supply Management and Desjardins, Economic Studies

TABLE 3
United States: Major economic indicators

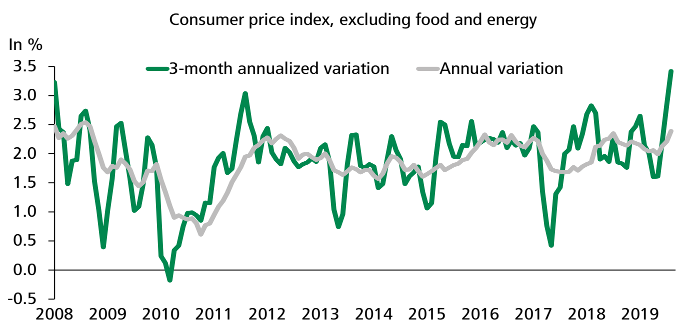
QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2019				2020		ANNUAL AVERAGE			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2017	2018	2019f	2020f
Real GDP (2012 US$)	**3.1**	**2.0**	**2.1**	**1.6**	**1.3**	**1.5**	**2.4**	**2.9**	**2.3**	**1.6**
Personal consumption expenditures	1.1	4.7	3.3	2.1	1.7	1.9	2.6	3.0	2.6	2.2
Residential construction	-1.0	-2.9	7.1	2.8	2.6	3.0	3.5	-1.5	-1.4	2.3
Business fixed investment	4.4	-0.6	0.9	1.2	0.5	0.7	4.4	6.4	2.8	0.9
Inventory change (US$B)	116.0	69.0	55.0	30.0	15.0	5.0	31.7	48.1	67.5	6.3
Public expenditures	2.9	4.5	0.5	1.6	1.9	2.2	0.7	1.7	2.1	1.9
Exports	4.1	-5.8	1.5	-2.0	-4.0	-1.0	3.5	3.0	-0.2	-1.8
Imports	-1.5	0.1	3.5	-2.0	-3.0	0.5	4.7	4.4	1.6	-0.4
Final domestic demand	1.8	3.6	2.6	1.9	1.6	1.8	2.5	3.0	2.4	2.0
Other indicators										
Nominal GDP	3.9	4.6	4.3	3.6	3.9	3.4	4.3	5.4	4.2	3.8
Real disposable personal income	4.5	2.5	2.5	2.4	1.8	2.4	2.9	4.0	3.2	2.2
Employment according to establishments	1.7	1.2	1.2	1.2	1.0	1.3	1.6	1.7	1.5	1.1
Unemployment rate (%)	3.9	3.6	3.7	3.7	3.9	3.9	4.4	3.9	3.7	3.9
Housing starts[1] (thousands of units)	1,213	1,256	1,286	1,267	1,297	1,302	1,209	1,250	1,256	1,282
Corporate profits*[2]	-2.2	2.7	1.0	2.0	4.0	1.0	-0.3	3.4	0.9	1.7
Personal saving rate (%)	8.5	8.0	7.8	7.9	8.0	8.1	7.0	7.7	8.1	8.2
Total inflation rate*	1.6	1.8	1.7	1.8	2.2	1.8	2.1	2.4	1.8	1.9
Core inflation rate*[3]	2.1	2.1	2.3	2.3	2.5	2.5	1.8	2.1	2.2	2.4
Current account balance (US$B)	-545	-513	-523	-521	-523	-529	-440	-491	-525	-531

f: forecasts; * Annual change; [1] Annualized basis; [2] Before taxes; [3] Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

Despite that, prior measures were starting to manifest in slightly stronger growth in core inflation: in August, it posted its highest rate since September 2009 (graph 9). However, the new tariffs announced in August for September and December have a greater impact on goods that are directly for consumers, from clothing and electronics to toys. Inflation could become even steeper as prices adjust to the announced protectionist measures, which could shake household confidence and, in turn, consumption. This should not be enough to trigger an abrupt end to what we can now characterize as the longest economic cycle in U.S. history. However, the situation could further slow down the U.S. economy.

Thankfully, previous key rate cuts, and drops by bond yields and mortgage rates should have a stabilizing effect, helping the economy to keep growing. We already sense that some components of the housing market are doing better. However, the risk of a recession will remain high until the trade war eases.

GRAPH 9
Core inflation has accelerated in recent months



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Canada

The Upcoming Quarters Are Likely to Be Slower

FORECASTS

After rebounding an annualized 3.7% in the second quarter, real GDP growth should drop to a slower pace as of mid-2019, as divergent forces converge. On one hand, business investment and exports will be hurt by the climate of uncertainty surrounding global trade tensions. On the other, consumer spending and residential investment should benefit from relatively favourable conditions. As a result, real GDP growth could be slightly below potential (which the Bank of Canada puts at close to 1.8% on average) in the coming quarters, meaning that 2019 could end with a 1.6% gain, followed by a 1.5% increase in 2020.

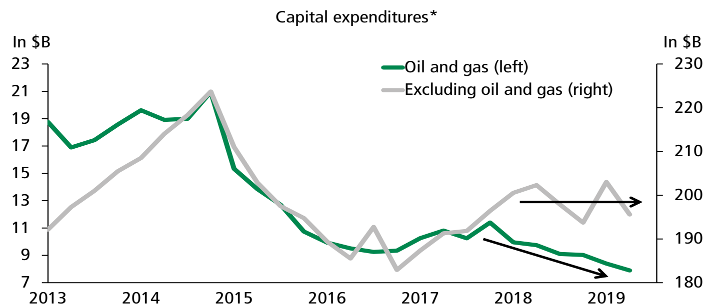
In general, the Canadian economy has shown surprising strength in the last few months. Even though the projection for the second quarter's real GDP was progressively raised, the annualized 3.7% gain recorded by Statistics Canada outstripped expectations. However, this good result must be put into context. After a tough start to the year due to the restrictions on oil production imposed by Alberta's government, the gradual return to normal substantially boosted the energy sector's second-quarter growth. Nearly half of the second quarter's real GDP growth comes from the oil and gas extraction sector alone. Among other things, this resulted in a substantial increase in exports during the quarter. Growth was much more mixed in the rest of the economy.

What's more, after going back into positive territory last winter, domestic demand fell back into the red in the second quarter, retreating 0.7%. The main difficulties come from non-residential business investment, which fell 16.2% in the second quarter. For one thing, the oil and gas transportation constraints are curbing the development of new production capacity in the energy sector, and having a big impact on investment growth (graph 10). For another, intensifying trade tension around the world and the uncertainties over ratification of the new trade agreement by the U.S. and Canadian governments[1] are having an increasing impact on Canadian business confidence.

We are unlikely to see any real improvement in these factors in the short term. Under these conditions, everything suggests that the problems with non-residential business investment will persist in the coming quarters. The slowdown in world trade will also affect growth by Canadian exports, which should see a slight uptrend in the coming quarters. Moreover, it is hard to be optimistic about international trade in commodities, given the problems in the world's economy. Non-residential investment and exports should therefore lean toward slower economic growth in the next few quarters.

[1] The process has been completed in Mexico since June 19, 2019.

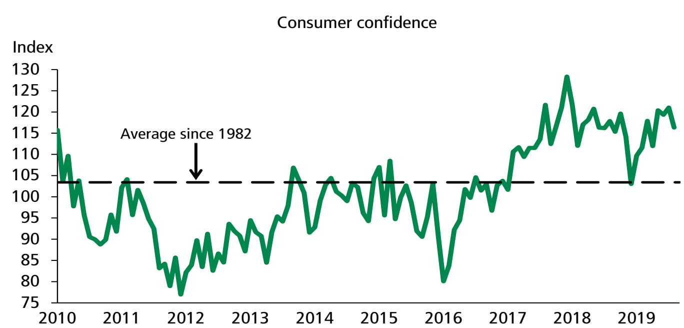
GRAPH 10
Canadian business investment is anemic



* Non-residential structures, and machinery and equipment.
Sources: Statistics Canada and Desjardins, Economic Studies

Thankfully, the Canadian economy has some bright spots. After pulling back for several months, the housing market recently turned around, trending up again in most regions. Not only are mortgage rates now more appealing, but demand is strong across most of the country. Moreover, consumer spending continues to rise, with particularly high household confidence (graph 11). Note that the country's labour market remains very lively, helping both the housing market and consumer spending.

GRAPH 11
Canadian consumer confidence is high again



Sources: Conference Board of Canada and Desjardins, Economic Studies

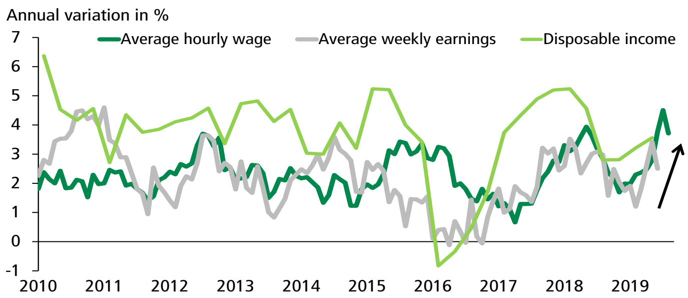
TABLE 4
Canada: Major economic indicators

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**	**1.7**	**1.3**	**1.2**	**1.4**	**3.0**	**1.9**	**1.6**	**1.5**
Final consumption expenditure [of which:]	2.4	1.1	1.9	1.8	1.8	1.7	3.1	2.3	1.8	1.7
Household consumption expenditure	*2.9*	*0.5*	*1.7*	*1.6*	*1.7*	*1.6*	*3.6*	*2.1*	*1.6*	*1.5*
Governments consumption expenditure	*1.3*	*2.5*	*2.5*	*2.5*	*2.0*	*2.0*	*2.1*	*2.9*	*2.3*	*2.3*
Gross fixed capital formation [of which:]	5.8	-6.6	-0.9	0.0	0.8	1.0	3.0	1.2	-2.6	0.2
Residential structures	*-3.9*	*5.5*	*2.9*	*3.2*	*3.0*	*2.2*	*2.4*	*-1.5*	*-1.9*	*2.8*
Non-residential structures	*-3.0*	*-1.8*	*-5.0*	*-3.0*	*-1.0*	*-0.5*	*1.1*	*-0.9*	*-6.0*	*-1.3*
Machinery and equipment	*42.9*	*-32.4*	*-7.0*	*-5.0*	*-3.0*	*-1.0*	*4.7*	*6.1*	*-1.9*	*-4.8*
Intellectual property products	*-5.1*	*2.3*	*2.0*	*2.5*	*3.5*	*3.5*	*1.2*	*4.4*	*1.4*	*2.9*
Governments gross fixed capital formation	*10.3*	*-7.8*	*2.5*	*2.0*	*2.0*	*1.5*	*6.3*	*3.6*	*-1.5*	*1.3*
Investment in inventories (2007 $B)	19.5	14.0	17.5	17.0	16.0	17.0	17.6	12.7	17.0	16.4
Exports	-3.3	13.4	1.0	1.5	1.5	1.5	1.1	3.2	2.7	2.1
Imports	8.7	-4.0	1.5	1.5	2.0	2.5	4.2	2.9	0.7	1.5
Final domestic demand	3.2	-0.7	1.3	1.4	1.6	1.6	3.1	2.0	0.8	1.4
Other indicators										
Nominal GDP	5.7	8.3	2.9	2.1	2.7	3.4	5.6	3.6	3.6	3.1
Real disposable personal income	2.3	2.1	2.0	1.8	1.8	1.5	3.4	2.1	2.0	1.7
Employment	2.9	3.0	0.9	1.3	0.8	0.9	1.9	1.3	2.1	1.2
Unemployment rate (%)	5.8	5.5	5.7	5.6	5.6	5.7	6.3	5.8	5.7	5.6
Housing starts[1] (thousands of units)	187	224	221	212	216	217	220	213	211	218
Corporate profits*[2]	-2.9	1.0	-3.5	-3.0	0.0	3.0	20.1	0.5	-2.1	3.0
Personal saving rate (%)	1.3	1.7	1.7	1.8	1.8	1.8	1.6	1.4	1.6	1.8
Total inflation rate*	1.6	2.1	2.1	2.1	1.9	1.6	1.6	2.3	2.0	1.7
Core inflation rate*[3]	1.9	2.3	2.4	2.4	2.2	2.2	1.6	1.9	2.2	1.9
Current account balance ($B)	-17	-6	-6	-7	-8	-9	-60	-59	-36	-31

f: forecasts; * Annual change; [1] Annualized basis; [2] Before taxes; [3] Excluding food and energy.
Sources: Datastream and Desjardins, Economic Studies

With many sectors and regions experiencing a labour shortage, the labour market's solid performance also seems to be fostering faster wage growth recently (graph 12). If this trend persists, it could eventually put upside pressure on inflation. Inflation is relatively stable for now, and everything suggests that the total annual inflation rate will remain around the median target (2%) for the coming quarters.

GRAPH 12
Wage growth is faster in Canada



Sources: Statistics Canada and Desjardins, Economic Studies

Quebec

The Economy Will Not Be Able to Maintain This Pace

FORECASTS

In Quebec, economic growth is surprisingly lively. Real GDP growth should even hit 2.5% in 2019, the best performance in the country. Unlike Canada, consumption and the housing sector have showed no signs of flagging. However, the global economy's slower pace and trade obstacles are affecting Quebec. The negative impacts on exports and business investment will limit economic growth to 1.5% next year.

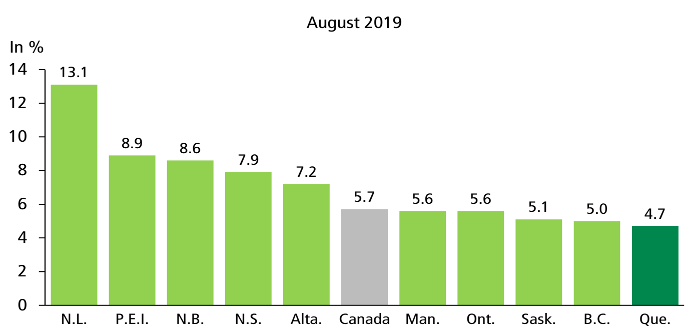
Quebec's economy has been much stronger than Canada's in the last few quarters (graph 13). The housing market corrections in Toronto and Vancouver and problems in the energy sector sapped Canada's growth in early 2019. Meanwhile, Quebec maintained a good cruising speed. For the first five months of 2019, real GDP growth was twice that of Canada's. Quebec will thus be ahead of Canada for a second straight year.

In Quebec, the focus is on the labour market's impressive improvement. Job creation remains strong, with the unemployment rate hitting a 4.7% low in August, the lowest of all the provinces (graph 14), for the first time since monthly statistics have been compiled. In Quebec, the year should wrap up with about 75,000 net hires, many of them full-time. The average unemployment rate will be under 5% for 2019, and could even drop to 4.5% in 2020. Aside from gains in employment, demographic trends will continue to take the unemployment rate down.

In this context, upside pressure on wages will persist and worker compensation will rise by about 3% this year and next. Quebec's economy is expected to post a slower pace in 2020, however, curbing job creation, and, in turn, household income growth. This should temper the pace of consumer spending and residential investment next year (graph 15).

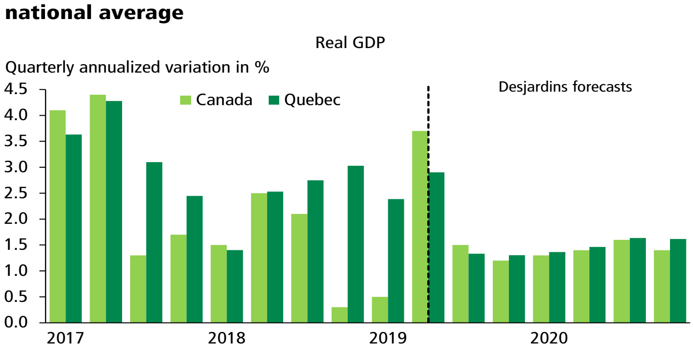
Quebec's housing market is booming. Sales of existing properties are on track to hit a new high in 2019. The average price in the province will surpass the $320,000 mark, up more than 4% for the third year in a row. Two factors could stimulate the residential sector even more in the near term: the federal financial incentive

GRAPH 14
Quebec's unemployment is now the lowest in the country



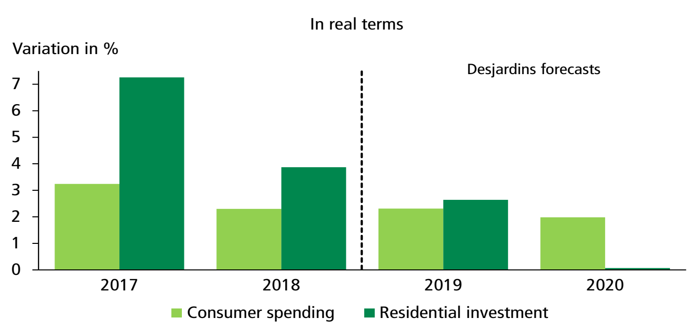
Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 13
Quebec's economic growth should slow shortly, returning to the national average



Sources: Institut de la statistique du Québec, Statistics Canada and Desjardins, Economic Studies

GRAPH 15
Households' contribution will flag next year in Quebec



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

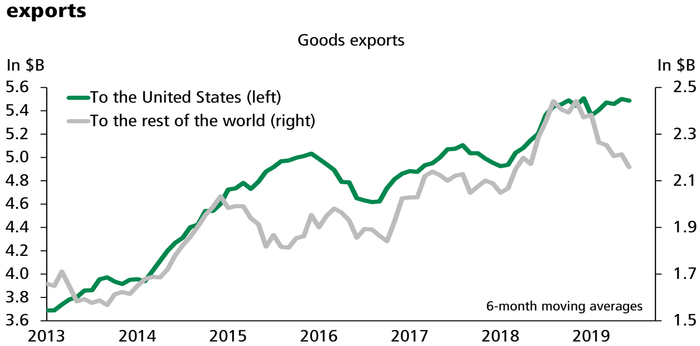
ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2016	2017	2018	2019f	2020f
Real GDP (2012 $)	**1.4**	**2.8**	**2.5**	**2.5**	**1.5**
Final consumption expenditure [of which:]	2.8	2.9	2.4	2.3	1.9
Household consumption expenditure	*2.4*	*3.2*	*2.3*	*2.3*	*2.0*
Governments consumption expenditure	*3.5*	*2.2*	*2.7*	*2.3*	*1.7*
Gross fixed capital formation [of which:]	-1.4	5.1	4.6	1.0	0.3
Residential structures	*3.2*	*7.3*	*3.9*	*2.6*	*0.0*
Non-residential structures	*-1.6*	*-4.8*	*-0.4*	*-2.0*	*0.2*
Machinery and equipment	*4.1*	*10.7*	*12.9*	*-0.3*	*-1.1*
Intellectual property products	*-2.4*	*4.9*	*3.5*	*3.2*	*2.2*
Governments gross fixed capital formation	*-10.9*	*6.8*	*4.7*	*0.6*	*0.9*
Investment in inventories (2007 $B)	874	1,688	2,661	3,149	3,250
Exports	0.4	1.2	3.6	-0.1	0.7
Imports	2.1	3.9	3.8	-0.2	1.0
Final domestic demand	2.0	3.3	2.9	2.1	1.6
Other indicators					
Nominal GDP	2.8	5.0	4.2	3.7	3.0
Real disposable personal income	2.0	3.5	2.4	3.1	2.0
Weekly earnings	1.2	2.8	3.2	2.8	3.0
Employment	0.9	2.2	0.9	1.8	1.0
Unemployment rate (%)	7.1	6.1	5.5	4.9	4.5
Personal saving rate (%)	5.0	5.5	5.4	5.7	5.5
Retail sales	6.6	5.5	2.9	2.5	2.1
Housing starts[1] (thousands of units)	38.9	46.5	46.9	48.5	46.0
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

program for first-time home buyers and the drop in some mortgage rates[2]. Therefore, 2019 should end on a high note. Residential activity should remain strong next year, without increasing.

Quebec's international exports are increasingly being affected by the slowdown in global trade. Goods shipments to the United States remain high, but they are not growing (graph 16). Since the end of June, the Chinese market has been completely closed to Canadian pork, hitting Quebec especially hard. About 15% of its pork exports go to China, its third largest international market after the United States and Japan. Although U.S. tariffs on steel and aluminum were removed in May, there does not seem to be any guarantee that the Canada–United States–Mexico agreement (CUSMA) will be ratified. Beyond this uncertainty, the U.S. economy is forecast to be slower next year, affecting Quebec's international exports. They could stagnate for a second straight year.

GRAPH 16
The slowing global economy is affecting Quebec's international exports



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

[2] Quebec Still Going Strong, Ontario Doing Better, Desjardins, Economic Studies, *Spotlight on Housing*, August 29, 2019, 4 p.

Ontario and Other Provinces

Slowing Growth Will Affect Most Provinces

FORECASTS

The surge in global protectionism will have differing impacts on the provinces; most will see economic growth slow in 2019 and 2020. Some areas should, however, benefit from stronger housing markets, particularly Toronto and Vancouver. Ontario and British Columbia could therefore see growth that is slightly stronger than the other provinces, although lower than Quebec's, at least in 2019.

ONTARIO

Although Ontario's economy has been less affected than the overall Canadian economy by fluctuations in the energy sector, its real GDP growth still slowed at the end of 2018 and in early 2019. For one thing, the housing market continued to adjust downwards, particularly in the Toronto area. For another, the auto industry ran into major difficulties, with the first quarter of 2019 ending with a fourth consecutive pullback in output.

Recent developments are encouraging though, with the housing market rebounding. The number of existing properties sold increased 20.5% in Ontario from last February's low, whereas the average transaction price rose 6.8% over the same period (graph 17). Housing starts also rose from a low of 49,103 units in May to 83,538 in August. Note that several positive factors are in place (lively demand, low interest rates, and a strong labour market). Under these conditions, the housing market should continue to trend up in the coming quarters. For the auto industry, the latest news is more ambiguous. New auto sales recovered in Canada this summer, but remain relatively weak south of the border. Moreover, the strike voted by General Motors' U.S. employees could eventually disrupt production in Canada. It is therefore hard to hope that this industry will rebound in the next few quarters. In other manufacturing sectors, the harm being done by the trade war could be felt more as of mid-2019. All in all, Ontario's real GDP could rise 1.5% in 2019, followed by a 1.6% gain in 2020.

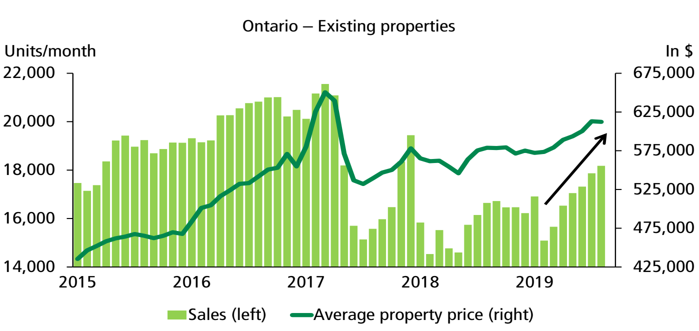
WESTERN PROVINCES

In Alberta, all eyes are clearly focused on the upheaval in the energy sector. After the restrictions imposed by Alberta's government in early 2019, oil and gas production has recouped the lost ground in recent months (graph 18). However, the constraints on oil and gas transportation persist; this will keep the brakes on developing new production capacity and, as such, on the province's business investment.

In British Columbia, the housing market's slowdown recently gave way to a comeback, particularly in Vancouver (graph 19 on page 13). The province should also benefit from investment projects in the natural gas sector. However, further deterioration in trade relations with China could hit British Columbia hard.

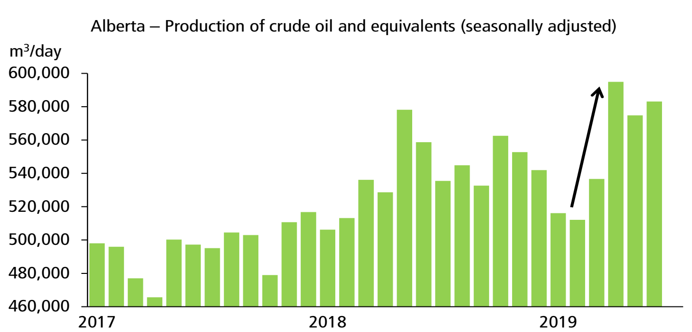
In Manitoba and Saskatchewan, real GDP growth should stay slightly below the national average. In Manitoba, some major investment projects are wrapping up, curbing business investment in 2019 and 2020. In Saskatchewan, the troubles in the mining and oil and gas extraction sector should persist. Moreover, both provinces' agricultural industries should continue to feel China's trade sanctions.

GRAPH 17
Ontario's housing market is on the rise again



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

GRAPH 18
Alberta's oil output has regained the lost ground



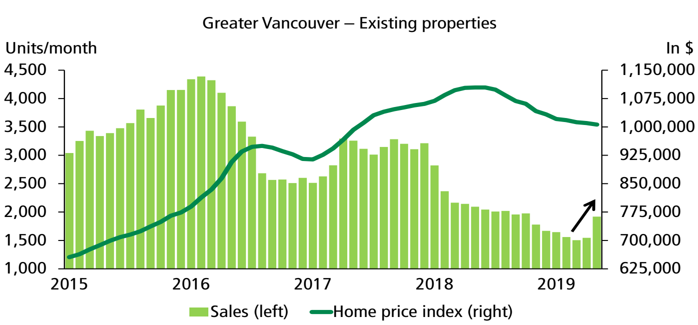
Sources: National Energy Board and Desjardins, Economic Studies

TABLE 6
Ontario: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2016	2017	2018	2019f	2020f
Real GDP (2012 $)	**2.3**	**2.8**	**2.3**	**1.5**	**1.6**
Final consumption expenditure [of which:]	2.2	3.4	2.9	1.9	2.0
Household consumption expenditure	*2.7*	*3.9*	*2.9*	*1.7*	*1.8*
Governments consumption expenditure	*0.5*	*2.0*	*2.9*	*2.4*	*2.2*
Gross fixed capital formation [of which:]	0.2	3.3	1.8	-1.9	1.2
Residential structures	*7.5*	*1.0*	*-3.0*	*-3.7*	*3.3*
Non-residential structures	*-7.9*	*1.7*	*-3.4*	*-6.0*	*-0.9*
Machinery and equipment	*-4.2*	*7.9*	*8.9*	*0.5*	*-3.0*
Intellectual property products	*-3.3*	*2.3*	*8.0*	*2.1*	*2.7*
Governments gross fixed capital formation	*-0.7*	*6.3*	*5.1*	*0.3*	*2.2*
Investment in inventories (2007 $B)	1,214	9,329	5,581	4,672	1,860
Exports	2.7	1.8	2.4	2.0	1.9
Imports	1.3	5.1	2.0	0.9	1.6
Final domestic demand	1.8	3.4	2.6	1.1	1.8
Other indicators					
Nominal GDP	4.4	4.1	3.5	3.0	3.6
Real disposable personal income	1.0	3.6	3.5	2.1	2.2
Weekly earnings	1.1	1.9	2.9	2.5	2.4
Employment	1.1	1.8	1.6	2.7	1.5
Unemployment rate (%)	6.5	6.0	5.6	5.6	5.6
Personal saving rate (%)	0,3	0,1	0,5	1.0	1.2
Retail sales	6.9	7.7	4.4	2.5	2.7
Housing starts[1] (thousands of units)	75.0	79.1	78.7	69.4	77.8
Total inflation rate*	1.8	1.7	2.4	2.0	1.8

f: forecasts; * Annual change; [1] Annualized basis.
Sources: Statistics Canada, Ontario's Ministry of Finance, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

GRAPH 19
Existing home sales stopped declining in Vancouver



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

ATLANTIC PROVINCES

In Newfoundland and Labrador, after retreating by an estimated 2.7% in 2018, real GDP should be back in the black in 2019, thanks to acceleration by oil output, particularly at the Hebron site. Growth in the Maritime provinces should remain below the national average in 2019 and 2020. Among other things, in contrast with most of the other regions, the housing market is not showing real recovery in the Maritimes.

TABLE 7

Canada: Major economic indicators by provinces

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2016	2017	2018	2019f	2020f
Real GDP growth – Canada	**1.1**	**3.0**	**1.9**	**1.6**	**1.5**
Atlantic	1.6	1.5	-0.2	1.5	0.9
Quebec	1.4	2.8	2.5	2.5	1.5
Ontario	2.3	2.8	2.3	1.5	1.6
Manitoba	1.6	3.2	1.3	1.2	1.3
Saskatchewan	-0.4	2.2	1.6	1.0	1.4
Alberta	-4.2	4.4	2.3	1.0	1.7
British Columbia	3.2	3.8	2.4	1.6	1.9
Total inflation rate – Canada	**1.4**	**1.6**	**2.3**	**2.0**	**1.7**
Atlantic	1.9	1.9	2.0	1.5	1.5
Quebec	0.7	1.0	1.7	1.9	1.6
Ontario	1.8	1.7	2.4	2.0	1.8
Manitoba	1.3	1.6	2.5	2.2	1.7
Saskatchewan	1.1	1.7	2.3	1.7	1.7
Alberta	1.1	1.6	2.4	1.7	1.8
British Columbia	1.8	2.1	2.7	2.4	2.0
Employment growth – Canada	**0.7**	**1.9**	**1.3**	**2.1**	**1.2**
Atlantic	-0.7	-0.2	1.0	1.5	0.7
Quebec	0.9	2.2	0.9	1.8	1.0
Ontario	1.1	1.8	1.6	2.7	1.5
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**	**5.7**	**5.6**
Atlantic	9.9	9.7	9.1	8.7	8.8
Quebec	7.1	6.1	5.5	4.9	4.5
Ontario	6.5	6.0	5.6	5.6	5.6
Manitoba	6.1	5.4	6.0	5.5	5.5
Saskatchewan	6.3	6.3	6.1	5.2	5.3
Alberta	8.1	7.8	6.6	7.0	6.9
British Columbia	6.0	5.1	4.7	4.7	4.6
Retail sales growth – Canada	**5.2**	**7.1**	**2.9**	**1.8**	**2.7**
Atlantic	3.0	6.2	0.3	2.2	2.4
Quebec	6.6	5.5	2.9	2.5	2.1
Ontario	6.9	7.7	4.4	2.5	2.7
Manitoba	3.7	7.8	2.9	2.0	2.2
Saskatchewan	1.5	4.1	-0.3	-0.5	2.5
Alberta	-1.1	7.1	2.0	-0.3	3.0
British Columbia	7.7	9.3	2.0	1.0	3.3
Housing starts – Canada (thousands of units)	**197.9**	**219.8**	**212.8**	**211.1**	**217.7**
Atlantic	7.6	8.6	9.3	9.6	7.6
Quebec	38.9	46.5	46.9	48.5	46.0
Ontario	75.0	79.1	78.7	69.4	77.8
Manitoba	5.3	7.5	7.4	7.0	6.8
Saskatchewan	4.8	4.9	3.6	2.6	2.5
Alberta	24.5	29.5	26.1	27.0	26.0
British Columbia	41.8	43.7	40.9	46.8	46.0

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

Medium-Term Issues and Forecasts

On the Menu: Low Interest Rates

A period of soft global economic growth could last until 2021. The actions taken by central banks this year, including the interest rate cut in the United States, will probably not be enough to trigger lasting acceleration. Other interventions can be expected over the medium range. Governments may also have to step in to compensate for the central banks' reduced leeway and less effective monetary policies. After that, it will probably be 2023 before we see interest rate increases again.

Prolonged Problems

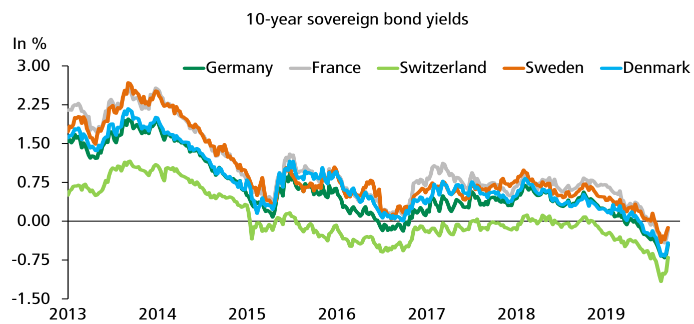
The international situation should remain precarious for several years, particularly due to ongoing trade tensions. In addition, many emerging countries, including China, are experiencing difficulties relating not only to weak trade, but also to internal and structural problems. Europe still needs to be watched. Rising populism, Brexit and high government debt are risk factors that won't disappear in the blink of an eye. Lastly, the U.S. economic cycle is ageing and fewer and fewer investors could continue to believe it will last. This will not help decrease the volatility that is already high in the financial markets given the other risks.

The drop in key interest rates and bond yields in many countries should give the economy some support over the coming quarters. However, that will likely not be enough to make economic growth accelerate on a lasting basis. A pullback could materialize quickly, prompting monetary authorities to order new stimulus in 2021.

Less Effective Monetary Policies?

The coming quarters could test the limits on the effectiveness of monetary policies in supporting the economy and generating inflation, especially in Europe, where negative interest rates[3] have been part of the financial landscape for five years now. The current situation is unprecedented, with several long-term sovereign bonds already in negative territory (graph 20). That may end up doing more harm than good, especially if it triggers a massive switch to cash. The realization of this extreme scenario is not necessary to face other major difficulties such as the formation of a liquidity trap, which happens when households and businesses no longer increase borrowing substantially, even though interest rates are still going down. Other difficulties could also arise as asset value bubbles form.

GRAPH 20
Several bond yields hit a new low recently



Sources: Datastream and Desjardins, Economic Studies

There is more leeway in North America, as key interest rates were raised several times in the last few years. That being said, a liquidity trap could still form and an increase in the value of certain assets could become problematic. In Canada, the issue primarily lies with high household debt loads.

Stimulating Budget and Fiscal Policies to Return

Central banks could innovate again by looking for new tools or modifying the framework of monetary policy. For now, no miracle formula seems to stand out. Expectations should thus focus on governments in the coming years. Stimulating budgetary or fiscal policy could have a greater impact on the economy and inflation. Moreover, the low interest rates would make it easier to fund stimulus programs. That being said, not all governments will likely be able to contribute to this effort, due to already heavy debt. Less expensive, more targeted measures, and structural reforms to increase economic growth potential would also be welcome, particularly over the longer haul. This could also help offset the impact of demographic changes on the labour market and labour shortages that are increasingly obvious, particularly in Canada and Quebec.

[3] *Five Years of Negative Rates in Europe and It's Far from Being Over!*, Desjardins, Economic Studies, *Economic Viewpoint*, September 10, 2019, 5 p.

TABLE 8
Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE 2017	2018	2019f	2020f	2021f	2022f	2023f	AVERAGES 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	3.9	4.4	4.6	4.7	4.9	4.3
S&P 500 index (var. in %)[1]	19.4	-6.2	19.7	5.0	-6.3	8.0	7.0	6.7	6.7
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	2.15	1.65	1.20	1.15	1.50	0.66	1.53
Federal bonds – 10-year	2.33	2.91	2.15	1.65	1.45	1.70	2.20	2.35	1.83
– 30-year	2.89	3.11	2.55	2.15	1.95	2.15	2.55	2.96	2.27
WTI oil (US$/barrel)	51	65	57	53	46	52	55	60	53
Gold (US$/ounce)	1,258	1,269	1,390	1,365	1,365	1,335	1,270	1,240	1,345
Canada									
Real GDP (var. in %)	3.0	1.9	1.6	1.5	1.2	1.7	2.1	1.9	1.6
Total inflation rate (var. in %)	1.6	2.3	2.0	1.7	1.4	1.6	1.8	1.7	1.7
Employment (var. in %)	1.9	1.3	2.1	1.2	0.9	1.0	1.2	1.1	1.3
Employment (thousands)	337	241	392	221	173	201	244	193	246
Unemployment rate	6.3	5.8	5.7	5.6	6.1	6.0	5.8	6.6	5.8
Housing starts (thousands of units)	220	213	211	218	190	195	205	203	204
S&P/TSX index (var. in %)[1]	6.0	-11.6	17.6	4.7	-8.8	9.0	8.0	1.6	6.1
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	3.55	3.35	3.45	3.18	3.53
– 5-year	4.76	5.26	5.25	5.15	4.90	4.80	4.95	4.85	5.01
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	1.55	1.30	1.30	1.60	1.05	1.47
– 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	1.50	1.55	1.35	1.55	1.85	1.81	1.56
– 30-year	2.28	2.36	1.75	1.70	1.55	1.75	2.05	2.31	1.76
Yield spreads (Canada—United States)									
Treasury bills – 3-month	-0.26	-0.60	-0.50	0.05	0.15	0.05	-0.15	0.13	-0.08
Federal bonds – 10-year	-0.55	-0.63	-0.65	-0.10	-0.10	-0.15	-0.35	-0.54	-0.27
– 30-year	-0.61	-0.75	-0.80	-0.45	-0.40	-0.40	-0.50	-0.65	-0.51
Quebec									
Real GDP (var. in %)	2.8	2.5	2.5	1.5	1.1	1.5	1.8	1.8	1.7
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	1.8	1.0	0.3	0.5	0.7	1.0	0.9
Employment (thousands)	90	39	70	40	15	20	30	40	35
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	2.5	2.1	1.0	1.8	2.5	3.9	2.0
Housing starts (thousands of units)	46	47	49	46	38	40	42	42	43
Ontario									
Real GDP (var. in %)	2.8	2.3	1.5	1.6	1.3	1.8	2.0	2.5	1.6
Total inflation rate (var. in %)	1.7	2.4	2.0	1.8	1.5	1.7	1.9	1.9	1.8
Employment (var. in %)	1.8	1.6	2.7	1.5	1.0	1.2	1.4	1.2	1.6
Employment (thousands)	128	114	196	114	76	92	108	84	117
Unemployment rate	6.0	5.6	5.6	5.6	6.1	6.0	5.8	6.4	5.8
Retail sales (var. in %)	7.7	4.4	2.5	2.7	2.5	3.0	5.0	6.0	3.2
Housing starts (thousands of units)	79	79	69	78	68	72	75	72	72

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