ECONOMIC & FINANCIAL OUTLOOK

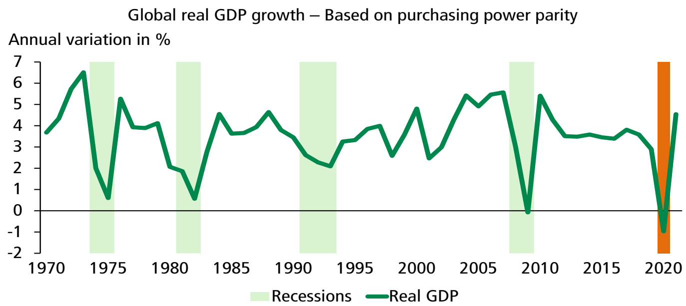
The Pandemic Throws the Global Economy into Disarray

The Economic Outlook Depends on the Result of the Measures Designed to Limit the Spread of COVID-19

HIGHLIGHTS

- The COVID-19 outbreak led to a major downward revision of the economic outlook, which remains highly uncertain. The global situation really deteriorated when the virus began reaching many other countries besides China. To slow its spread, many governments implemented necessary health and containment measures. These measures have obviously led to a sharp drop in economic activity, but by preventing the pandemic from worsening, they will allow for a faster return to normal.
- Most economies around the world will have a very difficult second quarter. However, China now appears to be turning a corner after sharp declines in economic activity early in the year.
- The current crisis will end the longest growth cycle in U.S. history. The drop in consumption in mid-March will likely be enough to drag real GDP down in the first quarter. However, it will be mainly the spring figures that will be affected by the necessary health and containment measures.
- In Canada, the first quarter may end with lower real GDP due to a dramatic fall in production in March. The correction is expected to intensify in the second quarter. Canada's economic troubles will also be exacerbated by problems in the oil industry.
- However, like elsewhere in the world, Canada should see a recovery in the third quarter. Assistance from governments and central banks should help households and businesses weather the crisis and support the post-COVID-19 rebound.

GRAPH 1
A global recession in 2020



Sources: World Bank, International Monetary Fund, Consensus Forecasts and Desjardins, Economic Studies

- A wave of panic started sweeping through financial markets in late February. The worldwide stock market collapse and the extreme uncertainty have caused tremendous financial tensions. Central banks, however, reacted aggressively to limit the financial and economic fallout from the pandemic. Bond yields should remain very low in the coming quarters, as key rates will stay at their effective lower bound and quantitative purchasing may continue for some time.

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François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist
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.

RISKS INHERENT TO OUR SCENARIOS

How the COVID-19 pandemic will evolve in the future is clearly the main source of uncertainty for the economic and financial outlook. Growth in the number of infections will be the key factor behind the authorities' decision to continue, or even expand, the necessary health and containment measures. If lack of progress on the virus prevents a return to normal, the economy will have to remain in its current state of hibernation for longer still. If that happens, real GDP measures will remain low and growth rates will fall even further. More governments around the world could be forced to adopt measures that are very restrictive for the economy. The adverse effects on corporate earnings and stock markets would be more severe as a result and the risk of a financial crisis would increase. There are other uncertainties as to what happens after the pandemic. Once the main restrictions are lifted, activity might not catch up as hoped. Sectors could be affected by the current setbacks in consumption, production and trade for a long time to come. The long-term consequences of budgetary and financial measures could also disrupt the outlook beyond this year. In Canada, returning to normal after the COVID-19 pandemic could prove to be more difficult than expected. The plunge in oil prices will have serious negative repercussions on the energy sector, and the extent of the long-term effects on the industry is difficult to predict. In addition, the cut in key interest rates to the effective lower bound could potentially heighten concerns over high household debt if rates remain low for too long. Similarly, the big stimulus plans announced by governments could cast doubt on public finances and put upward pressure on bond yields, especially if the economic crisis persists.

TABLE 1

World GDP growth (adjusted for PPP) and inflation rate

	WEIGHT*	REAL GDP GROWTH			INFLATION RATE		
IN %		2019	2020f	2021f	2019	2020f	2021f
Advanced economies	**37.8**	**1.7**	**-3.1**	**3.6**	**1.4**	**0.9**	**1.9**
United States	15.1	2.3	-3.2	4.3	1.8	1.5	2.4
Canada	1.3	1.6	-2.9	3.6	1.9	1.3	2.0
Japan	4.0	0.7	-2.4	2.9	0.5	-0.4	0.8
United Kingdom	2.2	1.4	-2.6	2.4	1.8	1.0	2.0
Euro zone	11.6	1.2	-3.7	3.2	1.2	0.6	1.6
Germany	*3.3*	*0.6*	*-3.2*	*3.3*	*1.4*	*0.8*	*1.7*
France	*2.2*	*1.3*	*-3.1*	*3.1*	*1.1*	*0.7*	*1.5*
Italy	*1.8*	*0.3*	*-6.0*	*2.7*	*0.6*	*0.0*	*1.2*
Other countries	3.9	1.1	-1.5	1.9	0.9	0.6	1.1
Australia	*0.9*	*1.8*	*-2.0*	*3.6*	*1.6*	*1.3*	*2.2*
Emerging and developing economies	**62.2**	**3.6**	**0.3**	**5.1**	**3.9**	**3.1**	**3.6**
North Asia	27.6	5.6	2.0	6.4	3.2	2.9	3.2
China	*18.6*	*6.1*	*2.0*	*6.2*	*2.9*	*2.6*	*2.5*
India	*7.7*	*5.0*	*2.5*	*7.0*	*3.7*	*3.5*	*4.6*
South Asia	5.4	4.2	0.0	5.8	1.9	1.4	2.7
Latin America	5.9	1.0	-2.4	3.1	3.5	2.9	3.7
Mexico	*1.8*	*-0.1*	*-2.8*	*2.4*	*3.6*	*3.1*	*3.8*
Brazil	*2.5*	*1.1*	*-3.0*	*3.2*	*3.8*	*3.0*	*4.0*
Eastern Europe	7.5	2.2	-1.4	3.6	6.6	5.1	5.4
Russia	*3.0*	*1.3*	*-2.5*	*3.0*	*4.5*	*3.6*	*4.0*
Other countries	15.9	1.6	-0.8	3.9	6.8	5.2	6.3
South Africa	*0.6*	*0.1*	*-2.3*	*2.4*	*4.1*	*3.9*	*5.0*
World	**100.0**	**2.9**	**-1.0**	**4.5**	**2.9**	**2.3**	**3.0**

f: forecasts; PPP : Purchasing Power Parities, exchange rate that equates the costs of a broad basket of goods and services across countries; * 2018.
Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

FINANCIAL FORECASTS

COVID-19's shift from a Chinese epidemic to a global pandemic sent a wave of panic through financial markets starting in late February. The main North American stock indexes tumbled more than 30% in the space of a few weeks, putting an end to the U.S. bull market that began in March 2009. The steep drop in oil prices, amplified by the dispute between Saudi Arabia and Russia, increased investor anxiety. The worldwide stock market collapse and the extreme uncertainty have caused tremendous financial tensions, resulting in a surge in credit spreads and even signs of a lack of liquidity and market stress. North American central banks, however, reacted aggressively to limit the financial fallout from the pandemic. The Federal Reserve and the Bank of Canada lowered their key rates by 150 basis points in March, bringing them down to their effective lower bound. At times in conjunction with governments, they also announce a number of assets buying programs to support the supply of credit and liquidity and to help keep financial markets running smoothly. These central bank actions already seem to be having positive effects, and it is likely that a major financial crisis will be avoided despite the magnitude of the economic shock. Bond yields should remain very low in the coming quarters, as key rates will stay at their effective lower bound and quantitative purchasing should continue for some time. The Canadian dollar has been hurt by the recent events, but like the stock markets, it should erase some of its losses in the second half of 2020.

TABLE 2
Summary of the financial forecasts

	2019		2020				2021			
END OF PERIOD IN % (EXCEPT IF INDICATED)	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Euro zone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.75	0.75	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Federal bonds										
United States										
2-year	1.66	1.58	0.25	0.25	0.35	0.40	0.45	0.50	0.55	0.65
5-year	1.54	1.68	0.36	0.40	0.45	0.50	0.60	0.65	0.75	0.90
10-year	1.67	1.92	0.67	0.70	0.75	0.85	0.95	1.00	1.05	1.25
30-year	2.11	2.39	1.32	1.30	1.35	1.40	1.45	1.50	1.55	1.70
Canada										
2-year	1.58	1.69	0.42	0.35	0.40	0.45	0.50	0.55	0.60	0.65
5-year	1.40	1.68	0.60	0.50	0.55	0.60	0.65	0.70	0.75	0.80
10-year	1.37	1.70	0.71	0.65	0.70	0.80	0.85	0.90	0.95	1.05
30-year	1.53	1.76	1.32	1.25	1.30	1.35	1.35	1.40	1.45	1.50
Currency market										
Canadian dollar (USD/CAD)	1.32	1.30	1.41	1.41	1.38	1.35	1.34	1.33	1.33	1.32
Canadian dollar (CAD/USD)	0.76	0.77	0.71	0.71	0.73	0.74	0.75	0.75	0.75	0.76
Euro (EUR/USD)	1.09	1.12	1.10	1.09	1.09	1.10	1.11	1.11	1.12	1.13
British pound (GBP/USD)	1.23	1.32	1.24	1.25	1.26	1.25	1.25	1.25	1.27	1.30
Yen (USD/JPY)	108	109	108	109	110	111	111	112	112	113
Stock markets (level and growth)*										
United States – S&P 500	3,231		Target: 2,900 (-10.2%)				Target: 3,400 (+17.2%)			
Canada – S&P/TSX	17,063		Target: 15,500 (-9.2%)				Target: 18,000 (+16.1%)			
Commodities (annual average)										
WTI oil (US$/barrel)	57 (61*)		35 (40*)				49 (52*)			
Gold (US$/ounce)	1,393 (1,521*)		1,610 (1,600*)				1,535 (1,500*)			

f: forecasts; WTI: West Texas Intermediate; * End of year.
Sources: Datastream and Desjardins, Economic Studies

Overseas

The Pandemic Sends the Global Economy into a Recession, but a Quick Recovery Is Expected

FORECASTS

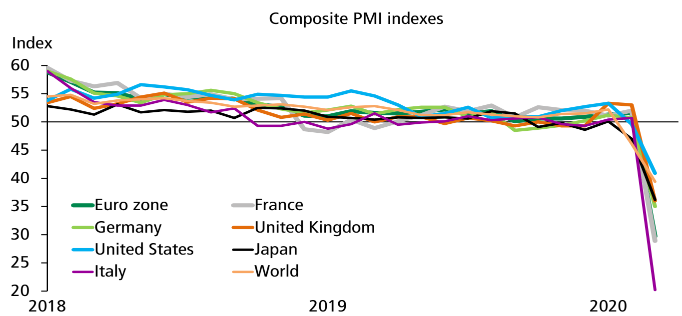
The COVID-19 outbreak has led to a major downward revision of the economic outlook. China was the first to be hit by the crisis, but it now seems to be turning a corner as we enter the second quarter. Nevertheless, annual growth in China's real GDP is expected to be just 2.0% in 2020, after an increase of 6.1% in 2019. After China, the new epicentre of the pandemic was Europe. There too many factors, especially containment measures, drove economic activity down. Euroland's real GDP is expected to contract 3.7% in 2020, after a 1.2% gain last year. Overall, global real GDP is expected to decline 1.0% in 2020, easily qualifying as a recession. However, a rebound to 4.5% is expected for 2021. The situation nonetheless remains highly uncertain, and the economic outlook depends on the success of the measures designed to limit the spread of COVID-19.

The global economic situation changed dramatically in just a few weeks. It was showing signs of improvement at the beginning of the year, with trade tensions fading owing to the China–U.S. agreement. The first stumbling blocks then began to emerge with the outbreak of the coronavirus in China and the lockdown of the Hubei region and its capital Wuhan. In the first two months of the year, the problems for the global economy stemmed more from supply chain disruptions due to a slowdown in Chinese production and a drop in demand in that country. The first effects of the decline in tourism from Asia on hotels and food services and on retailers also became evident.

The global situation really deteriorated when COVID-19 began reaching many other countries, until it became a true pandemic, as officially declared by the World Health Organization (WHO) on March 11. At the time of writing, there were close to 1.3 million confirmed cases worldwide and over 70,000 COVID-19 deaths. To stem the spread of the virus and limit pressures on national healthcare systems, many governments implemented the necessary health and containment measures. First, activity in the tourism, recreation, food services and hotel industries collapsed. Then, in certain cases, containment measures became stricter to limit movements and prevent people from gathering in groups. In some countries, businesses considered nonessential had to shutter. This is reflected in the decline in PMI indexes in March (graph 2).

These necessary measures obviously led to a sharp drop in economic activity. According to the Organisation for Economic Co-operation and Development (OECD), the containment measures have caused major economies to potentially operate at between 20% and 35% below normal capacity. The OECD also states that for every month they are implemented, such measures generally subtract 2% from annual real GDP growth.

GRAPH 2
PMI indexes plummeted in March



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

Curiously, it is this hibernation of economic activity in the very near term that will help economies rebound. By preventing the pandemic from worsening, the health and containment measures will allow for a faster return to normal. Without them, the public health and economic problems may last longer. Under the circumstances, the role of governments and monetary authorities is invaluable. By providing income support to households and businesses and putting in place conditions to make it easier to weather the COVID-19 crisis, they can help the economy rebound as soon as containment measures are no longer required.

In the meantime, it is clear that most economies around the world will have a very difficult second quarter. Aside from the effects of the health and containment measures, there are also consequences for financial markets and for household and business credit. The confidence of economic agents is also impacted by the current crisis, and a return to normal in just a few months will be impeded by lost revenue. While the third quarter should still see rapid growth, it will not be sufficient to fully catch up to pre-crisis GDP levels. This level can only be reached in 2021, even in a V-shaped recovery scenario. The temporary decline in activity in the first half of 2020 should bring global real GDP growth to near zero for the year. The International Monetary Fund (IMF) generally describes growth below 2.5% of global real GDP as a global recession. Clearly, a drop of 1.0%, as expected, and worse than the -0.1% in 2009 (graph 3), can qualify as such.

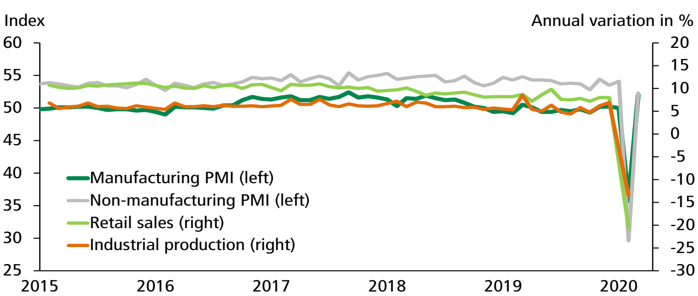
GRAPH 3
World economic downturn will be worse than in 2009

Sources: World Bank, International Monetary Fund, Consensus Forecasts and Desjardins, Economic Studies

CHINA

The Chinese economy probably suffered more in the first quarter than in the second as a result of the COVID-19 outbreak in the Hubei region. The first available indicators showed an abrupt plunge in activity in January and February. However, the situation began to recover after that, as new infections became fewer and fewer. The PMI manufacturing index slid from 50.0 in January to 35.7 in February, only to climb back up to 52.0 in March, the highest it has been since summer 2017 (graph 4). We can therefore assume that growth will get back on track in the second quarter and continue into the second half of 2020. Nevertheless, the effects of the decrease at the beginning of the year are expected to hit annual real GDP hard. After fairly slow growth of 6.1% in 2019, growth in 2020 is expected to be just 2.0%. A rebound to 6.2% is anticipated for 2021.

GRAPH 4
The rise in PMI indexes suggests an upturn in China's economic activity

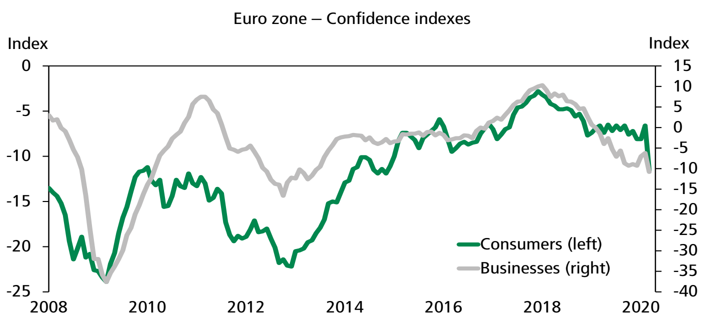


Sources: Office of National Statistics and Desjardins, Economic Studies

EUROPE

It was at the end of February and especially in early March that COVID-19 began to sweep through Europe. Italy was the hardest hit, but cases quickly multiplied in France, Germany, Spain and the United Kingdom. The containment measures put in place will drive GDP down in the first quarter. The PMI indexes also fell in March in the eurozone, like in the United Kingdom. This is especially true for the services sector. Other business and consumer confidence indexes withered in March, but the decrease was less steep than feared and levels generally remain above 2009 lows (graph 5). The European economy was already fairly weak, and it is clear that the recession there will be severe. The eurozone's real GDP is expected to drop 3.7% in 2020, climbing 3.2% in 2021. In the United Kingdom, the annual decrease should be 2.6% in 2020, with a 2.4 % increase next year. It remains to be seen how the current crisis will affect negotiations on the forthcoming agreement with the European Union, which is supposed to be concluded at the end of this year.

GRAPH 5
The decline in household and business confidence in the eurozone remains contained for the time being



Sources: European Commission and Desjardins, Economic Studies

United States

The Pandemic Should End the Longest Economic Growth Cycle

FORECASTS

The momentum of the U.S. economy changed completely in mid-March. While the economic situation was rather satisfactory in the early months of 2020, the COVID-19 crisis will put an end to the longest growth cycle in U.S. history. The drop in consumption in mid-March will likely be enough to drag real GDP down in the first quarter. However, spring figures are the ones that will bear the brunt of the necessary health and containment measures put in place by many local and state governments and by the Trump administration. A drop of at least 25% in real GDP (annualized) is expected for the spring. The jobless rate is expected to skyrocket. A rebound should, however, show up in third quarter results. For 2020 as a whole, real GDP should decline 3.2%, whereas growth could reach 4.3% in 2021. However, there is much uncertainty surrounding this outlook, which depends primarily on changes in the number of infections in the United States and around the world.

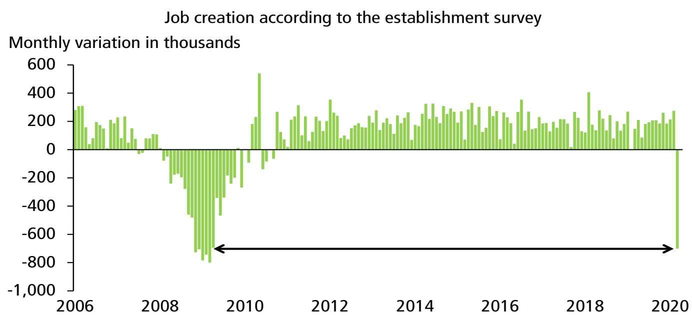
The current U.S. economic growth cycle began in July 2009. January and February data suggest that the positive trend was supposed to continue, particularly with close to 500,000 jobs created over those two months. This was before the United States was hit by the COVID-19 crisis. The United States now has the highest number of cases in the world and, unfortunately, the number of critical cases and deaths continues to rise.

To limit the spread of the virus, U.S. government authorities have implemented necessary health and containment measures in line with what is being done in other countries. At the time of writing, at least 311 million Americans in at least 41 states have been told to stay home as much as possible.

The situation calls for economic activity to be put on hold to a certain extent. This will be reflected in real GDP data when the results from the first and second quarters are released. The consequences are, however, already being felt on the job market, which shed 701,000 jobs in March (graph 6), including 417,400 in food services. The situation is expected to be much worse in April. During the two final full weeks of March (after the survey for March data was taken), close to 10 million new jobless claims were filed. Job losses may mount between now and May. The jobless rate, which rose from 3.5% in February to 4.4% in March, could soon move closer to 15%, which would be the highest percentage since the Second World War.

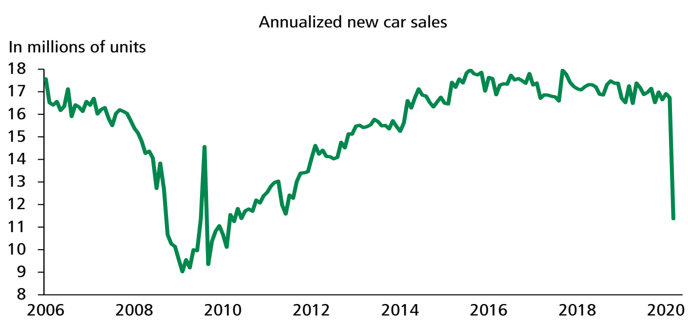
Of the domestic demand components, real consumption will be most affected. Already in March, motor vehicle sales plummeted 32.1% (graph 7), which points to a steep dive in durable goods consumption in the first quarter. This situation should continue in the very near term. Some sectors, such as hotels, food services and recreation as well as many types of retailers, are even more affected. There is hope, however, that the mere reopening of numerous establishments will lead to a rebound in growth rates as of May. Hopefully, consumer confidence indexes will not sink too deeply before then. Of course, household sentiment will be affected by not only news of the spread of the virus, but also announcements of job losses and the downturn in the financial markets. If these factors are perceived as temporary, households will be fairly ready to start consuming again as soon as the

GRAPH 6
The worst monthly decrease in U.S. employment since March 2009



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

GRAPH 7
U.S. motor vehicle sales tumbled dramatically in March



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

TABLE 3

United States: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2019		2020				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2018	2019	2020f	2021f
Real GDP (2012 US$)	**2.1**	**2.1**	**-6.0**	**-26.0**	**22.5**	**9.2**	**2.9**	**2.3**	**-3.2**	**4.3**
Personal consumption expenditures	3.1	1.8	-11.5	-40.0	36.0	13.7	3.0	2.6	-6.6	4.8
Residential construction	4.6	6.5	18.8	-4.9	23.2	30.4	-1.5	-1.5	9.7	15.8
Business fixed investment	-2.3	-2.4	-2.1	-10.9	0.0	5.0	6.4	2.1	-3.2	2.1
Inventory change (US$B)	69.4	13.1	-30.0	-60.0	-30.0	-15.0	48.1	67.0	-33.8	40.0
Public expenditures	1.7	2.5	2.6	3.5	2.0	-1.7	1.7	2.3	2.4	0.7
Exports	0.9	2.1	0.0	-14.0	10.0	5.0	3.0	0.0	-1.2	2.9
Imports	1.8	-8.4	-7.0	-18.0	20.0	10.0	4.4	1.0	-4.0	4.3
Final domestic demand	2.2	1.5	-6.8	-27.5	25.0	10.6	3.0	2.3	-3.5	4.5
Other indicators										
Nominal GDP	3.8	3.5	-3.7	-25.2	24.9	10.9	5.4	4.1	-1.5	6.2
Real disposable personal income	2.1	1.6	1.8	-15.0	8.0	2.5	4.0	2.9	-0.8	1.7
Employment according to establishments	1.5	1.7	1.0	-28.7	21.5	6.7	1.6	1.4	-2.6	2.8
Unemployment rate (%)	3.6	3.5	3.8	13.0	8.9	7.7	3.9	3.7	8.4	7.2
Housing starts[1] (thousands of units)	1,282	1,441	1,508	1,167	1,473	1,490	1,250	1,298	1,409	1,644
Corporate profits*[2]	-1.2	2.2	0.0	-25.0	-18.0	-15.0	3.4	0.0	-14.6	11.8
Personal saving rate (%)	7.7	7.6	10.6	17.7	13.1	10.9	7.7	7.9	13.1	10.6
Total inflation rate*	1.8	2.0	2.1	1.1	1.3	1.4	2.4	1.8	1.5	2.4
Core inflation rate*[3]	2.3	2.3	2.3	2.3	2.1	2.1	2.1	2.2	2.2	2.1
Current account balance (US$B)	-502	-439	-389	-306	-356	-388	-491	-498	-360	-401

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

containment measures are eased. It will, however, take a few quarters for consumption to return to its pre-crisis level.

Business investment will obviously be negatively affected by the COVID-19 crisis. The high degree of uncertainty, the weaker profit outlook, the drop in production caused by the containment measures, the international nature of the crisis and financing problems are all factors that will prompt businesses to reduce their investments in the very near term. The ISM manufacturing index surprised with its relative strength in March, even though it dipped back below the 50 mark. The new orders component fell, a clearly negative signal for investment growth. The ISM non-manufacturing index remained above the 50 mark in March, which is good news, but many of its components dropped considerably.

Fortunately, fiscal and monetary policy is coming to the rescue of households and businesses. The Federal Reserve quickly slashed its key rates all the way to the bottom and introduced numerous measures to facilitate the availability of credit and to support the financing of businesses (as well as municipalities and states). Congress and the White House, meanwhile, adopted a US$2,300B relief plan, which is close to three times the cost of the 2009 stimulus plan. Beginning on April 9, most American families will receive US$1,200 per adult and US$500 per child. The unemployment insurance program has been given a boost, with an additional US$600 per week on top of what is allocated by the states. A total of US$667B has been earmarked to help businesses. These measures should help sustain Americans' income and ensure the survival of businesses hardest hit by the crisis. We obviously cannot talk about a short-term economic stimulus plan here, when activity is voluntarily restricted for health reasons. However, these measures should support the post-COVID-19 rebound.

Canada

Energy Sector Troubles Will Add to the Adverse Effects of COVID-19

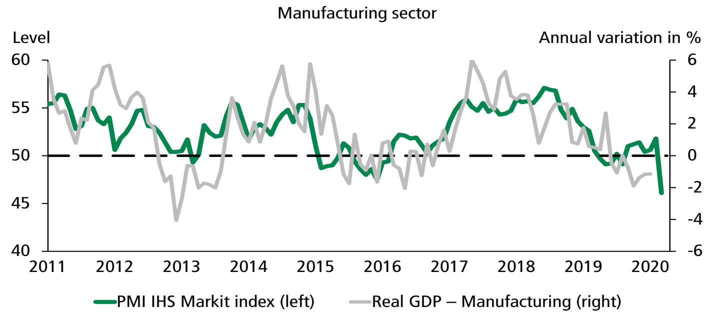
FORECASTS

Despite a somewhat positive January, the first quarter may end with lower real GDP due to a dramatic fall in production in March. The correction is expected to intensify in the second quarter, as real GDP could fall drastically. With two consecutive quarters of pullbacks, Canada might be looking at a very harsh recession. For the time being, an economic recovery is expected in the third quarter. The year 2020 as a whole could close with a 2.9% drop in real GDP. The return to normal could lead to a 3.6% gain in Canada's real GDP in 2021.

As elsewhere, the Canadian economy will be deeply impacted by the adverse effects of COVID-19 in the coming months. However, unlike in other parts of the world, the situation in Canada was already less than rosy since the fall, when a number of temporary disruptive factors affected production.[1] The fourth quarter of 2019 ended with real GDP up just 0.3% (annualized).

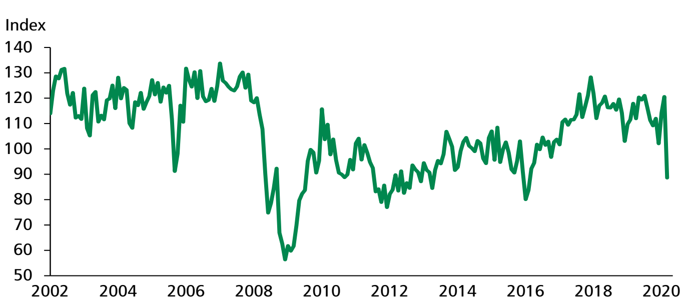
Unfortunately, Canada's economic situation deteriorated considerably in early 2020. On the one hand, rail transportation was again plagued by major interruptions in February, which greatly hindered supply chains during the month. On the other hand, many measures put in place by the various orders of government to limit the spread of the COVID-19 epidemic in the country will have serious negative consequences for the Canadian economy in March and April (graphs 8 and 9).

GRAPH 9
The manufacturing sector's struggles are expected to intensify in Canada



Sources: IHS Markit, Statistics Canada and Desjardins, Economic Studies

GRAPH 8
Canadian consumer confidence declined sharply in March



Sources: Conference Board of Canada and Desjardins, Economic Studies

What happens next will, of course, depend on how the epidemic evolves, which is very difficult to predict. For now, our assumption is that a gradual return to normal should begin by May. The return to work by many workers will surely lead to a rebound in production fairly quickly. That said, the current crisis will leave a mark, and Canada's economy could take several months to recover fully. Moreover, some businesses might not survive the current struggles and some of the jobs lost might not be regained.

Canada's economic troubles will also be exacerbated by problems in the oil industry, which is grappling with the slump in oil prices (graph 10 on page 9). This industry was not in very good shape already, and there is every indication that investments in the energy sector will continue to decline. Moreover, lower revenue from oil and gas extraction will affect many facets of the economy, particularly in energy-producing provinces. Nevertheless, lower oil prices could benefit consumers and businesses in other provinces, as the average price of regular gas fell from ¢117.2 a litre at the end of February to ¢76.9 a litre at the end of March. Aside from the energy sector, it is clear that

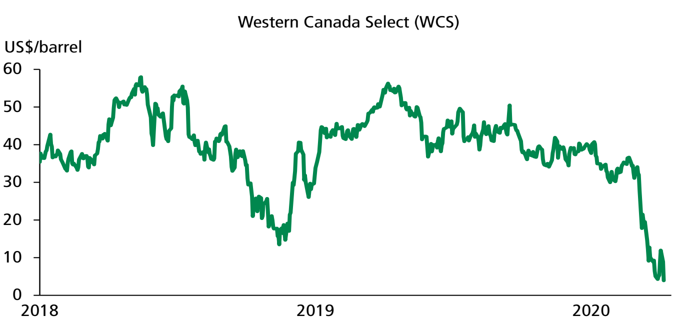
1 A Canadian National (CN) employee strike severely hampered rail transportation in November. In October, Canada's auto industry suffered in the aftermath of a U.S. employee strike at General Motors (GM). An oil pipeline rupture south of the border resulted in interruptions in the transportation of Canadian oil in November. Persistent trade tensions around the world and uncertainty associated with the last-minute negotiations of the Canada–United States–Mexico Agreement (CUSMA) also shook business confidence in the fall.

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2019		2020				ANNUAL AVERAGE			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2018	2019	2020f	2021f
Real GDP (2012 $)	**1.1**	**0.3**	**-5.0**	**-22.0**	**18.0**	**7.5**	**2.0**	**1.6**	**-2.9**	**3.6**
Final consumption expenditure [of which:]	1.7	1.8	-5.8	-15.6	17.5	3.8	2.4	1.8	-1.8	3.6
Household consumption expenditure	*2.0*	*2.0*	*-10.0*	*-31.3*	*18.9*	*16.4*	*2.2*	*1.6*	*-5.7*	*5.4*
Governments consumption expenditure	*1.2*	*1.3*	*5.0*	*25.0*	*15.0*	*-30.0*	*3.0*	*2.1*	*5.7*	*-3.9*
Gross fixed capital formation [of which:]	8.1	-3.1	-8.3	-26.6	12.4	14.9	1.2	-0.7	-5.2	4.2
Residential structures	*13.0*	*1.1*	*-5.0*	*-26.3*	*19.1*	*14.8*	*-1.6*	*-0.6*	*-1.8*	*4.9*
Non-residential structures	*11.2*	*-1.7*	*-15.0*	*-40.0*	*10.0*	*25.0*	*-0.6*	*0.9*	*-9.2*	*5.4*
Machinery and equipment	*-2.6*	*-13.5*	*-21.0*	*-50.0*	*12.0*	*30.0*	*4.7*	*-1.4*	*-18.4*	*5.2*
Intellectual property products	*3.7*	*-3.0*	*-10.0*	*-20.0*	*3.0*	*4.0*	*3.9*	*-4.7*	*-5.9*	*2.3*
Governments gross fixed capital formation	*7.0*	*-3.6*	*7.0*	*10.0*	*8.0*	*-8.0*	*5.2*	*-0.7*	*3.7*	*-1.3*
Investment in inventories (2012 $B)	7.1	10.5	19.0	21.0	19.0	18.5	13.0	14.7	19.4	14.1
Exports	-0.6	-5.1	-11.0	-45.0	40.0	27.0	3.1	1.2	-8.3	8.7
Imports	-0.2	-2.5	-10.0	-30.0	32.0	21.5	2.6	0.3	-5.2	8.7
Final domestic demand	3.1	0.7	-6.3	-17.9	16.5	6.1	2.1	1.2	-2.5	3.7
Other indicators										
Nominal GDP	1.3	4.5	-9.0	-32.0	24.0	15.5	3.9	3.6	-4.4	5.3
Real disposable personal income	1.5	2.9	-5.0	-15.0	20.0	5.0	2.0	2.6	-0.8	3.3
Employment	1.1	0.5	-2.7	-15.3	14.7	4.5	1.3	2.1	-1.4	2.7
Unemployment rate (%)	5.6	5.7	6.3	9.4	7.8	7.1	5.8	5.7	7.7	6.7
Housing starts[1] (thousands of units)	223	202	207	127	184	196	213	209	178	205
Corporate profits*[2]	-5.0	5.8	-7.0	-35.0	-40.0	-35.0	2.5	0.3	-29.5	4.8
Personal saving rate (%)	2.8	3.0	4.3	9.4	9.6	7.2	1.8	2.7	7.6	5.6
Total inflation rate*	1.9	2.1	2.0	0.9	1.3	1.1	2.3	1.9	1.3	2.0
Core inflation rate*[3]	2.2	1.9	1.9	2.0	1.4	1.5	1.9	2.0	1.7	1.1
Current account balance ($B)	-11	-9	-15	-30	-25	-20	-55	-45	-90	-60

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

GRAPH 10
The price of Canadian oil plummeted



Sources: Bloomberg and Desjardins, Economic Studies

the difficulties experienced by most other countries also at grips with COVID-19 will have significant negative repercussions for Canadian trade.

That said, governments have put in place a number of tax and budget measures to support businesses and households through these trying times, which should not only lessen the negative shock on the Canadian economy, but also foster a resumption in activity once COVID-19 begins to fade. The federal government also undertook to provide employers affected by the crisis with a wage subsidy of up to 75%, which should limit layoffs. Moreover, the Bank of Canada lowered its interest rates to their effective lower bound and introduced a bond buying program on financial markets to keep them running smoothly. This resulted in a relaxation of credit conditions for households and businesses.