ECONOMIC & FINANCIAL OUTLOOK

The Upturn Has Begun but Recovery Will Be Gradual

HIGHLIGHTS

- The COVID-19 pandemic has given the global economy an enormous shock. In the first quarter, real GDP declined everywhere; the carnage will be even clearer in the second quarter, with most of the major economies seeing contractions of around 12% (40% annualized). However, economies are reopening, and some indicators have improved, suggesting a recovery is materializing.
- The United States was severely impacted by the COVID-19 pandemic. This is also the country with the most cases and most deaths. The public health and lockdown measures helped stabilize the situation, but the economic toll has been heavy. Real GDP fell 1.3% (5.0% annualized) in the first quarter and is projected to plunge 10.2% (35.0% annualized) in the second. The economy began to reopen as of May and the indicators are starting to rise. This situation should persist, and real GDP growth should be fairly strong in the third quarter. That said, recent signs of a second wave in certain states are keeping uncertainty elevated.
- The difficulties in Canada's economy should intensify in the second quarter; real GDP is projected to decline by 12% (40% annualized). Canada should therefore go through one of the worst recessions in its history. Only in the third quarter will the economy's recovery start to have a positive impact on quarterly results.
- Quebec's economy was hit hard by the lockdown measures required to limit the spread of COVID-19. Numerous sectors are slowly reopening, a move which intensified as of May, which is already generating a net improvement in indicators. Although the economy has started to rebound, the effects will be felt for several more quarters.
- Alberta and Saskatchewan contrasted with the other provinces in 2019, with declines in real GDP. In 2020, they will be joined by all of the other provinces, as the adverse impacts of COVID-19 will be felt across the country. We can therefore expect a widespread recession. However, the scope of the decline will differ from region to region.
- In a context in which inflation and economic activity should climb back very gradually, the Federal Reserve and Bank of Canada are committed to keep making massive bond purchases as long as necessary and everything suggests they will keep key rates at their effective floor for a very long time. The next few months could be tougher for risk assets, given very high uncertainties, particularly with respect to how COVID-19 will evolve. Oil prices and the loonie could thus end the year slightly lower than they are now.
- The evolving COVID-19 pandemic remains the main uncertainty surrounding the economic and financial outlooks. The situation has improved in Europe and North America, but is still deteriorating in many other countries. Moreover, the risk is now focused on a potential second wave, which would require public health measures to be reinstated that would further hobble economic growth.

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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 TO OUR SCENARIOS

The evolving COVID-19 pandemic remains the main uncertainty surrounding the economic and financial outlooks. The situation has improved in Europe and North America, but is still deteriorating in many other countries. Moreover, the risk is now focused on a potential second wave, which would require public health measures to be reinstated that would further hobble economic growth. The adverse effects on corporate earnings and the 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 will happen after the pandemic. Once the main restrictions are lifted, activity may not catch up as hoped. Some sectors could be affected by the current setbacks in consumption, production and trade for a long time to come. The long-term consequences of the budgetary and fiscal measures could also disrupt outlooks beyond this year. In Canada, it could prove harder than anticipated getting back to normal after the COVID-19 pandemic. Despite the recent upswing, oil prices remain relatively low, historically, which could lead to major negative repercussions for the energy sector. It is difficult to predict the scope of the long-term impacts on the industry. In addition, the cut in key interest rates to their effective floor could potentially heighten concerns over high household debt if rates remain low for too long. Similarly, the robust stimulus plans announced by governments could cast doubt on public finances and put upward pressure on bond yields, especially if the economic crisis persists. If the economic recovery is slower than forecast in some provinces, households and businesses could face more financial difficulties, with larger consequences.

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**	**-5.9**	**3.8**	**1.4**	**0.6**	**1.4**
United States	15.1	2.3	-5.1	4.0	1.8	0.9	2.0
Canada	1.3	1.7	-5.9	5.2	1.9	0.4	2.2
Quebec	*0.3*	*2.7*	*-6.6*	*6.1*	*2.1*	*0.6*	*2.0*
Ontario	*0.5*	*1.6*	*-5.5*	*5.0*	*1.9*	*0.3*	*2.4*
Japan	4.0	0.7	-3.6	2.6	0.5	-0.1	0.1
United Kingdom	2.2	1.4	-9.1	4.0	1.8	1.0	1.6
Euro zone	11.6	1.2	-7.9	4.8	1.2	0.3	1.1
Germany	*3.3*	*0.6*	*-6.3*	*3.8*	*1.4*	*0.6*	*1.4*
France	*2.2*	*1.5*	*-10.5*	*4.2*	*1.1*	*0.3*	*1.2*
Italy	*1.8*	*0.3*	*-10.5*	*4.0*	*0.6*	*0.0*	*0.6*
Other countries	3.9	1.0	-3.6	2.5	0.9	0.4	0.8
Australia	*0.9*	*1.8*	*-5.0*	*4.5*	*1.6*	*0.8*	*1.5*
Emerging and developing economies	**62.2**	**3.5**	**-1.8**	**5.8**	**3.8**	**3.3**	**3.2**
North Asia	27.6	5.3	0.5	7.6	3.2	3.3	2.6
China	*18.6*	*6.1*	*1.0*	*8.0*	*2.9*	*3.1*	*1.9*
India	*7.7*	*4.2*	*-0.5*	*7.2*	*3.7*	*3.6*	*4.3*
South Asia	5.4	4.2	-1.8	6.0	1.9	1.3	2.2
Latin America	5.9	0.9	-6.2	3.8	3.5	3.0	3.3
Mexico	*1.8*	*-0.3*	*-6.9*	*3.3*	*3.6*	*3.5*	*3.4*
Brazil	*2.5*	*1.1*	*-7.0*	*3.9*	*3.8*	*2.7*	*3.5*
Eastern Europe	7.5	2.0	-4.9	4.1	6.6	5.9	5.2
Russia	*3.0*	*1.3*	*-6.0*	*3.2*	*4.5*	*4.8*	*3.7*
Other countries	15.9	1.6	-3.2	4.3	6.8	4.8	5.8
South Africa	*0.6*	*0.1*	*-4.7*	*2.8*	*4.1*	*3.7*	*4.5*
World	**100.0**	**2.9**	**-3.4**	**5.1**	**2.9**	**2.3**	**2.5**

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

Financial market sentiment remains generally positive, as economic statistics seem to confirm that activity began to rebound in May. The stock markets continued to rise quickly, while enthusiasm for tech stocks even allowed the NASDAQ index to hit a new peak. The upswing in optimism also put some upside pressure on long-term bond yields; however, everything indicates that the low interest rate environment will persist for quite some time. In a context in which inflation and economic activity should climb back very gradually, the Federal Reserve and Bank of Canada are committed to keep making massive bond purchases as long as necessary and everything suggests they will keep key rates at their effective floor for a very long time. Oil prices have also strongly rebounded, capitalizing on favourable sentiment and a rapid drop in the oil supply, but everything suggests that global demand for petroleum products will remain subdued for several quarters. The next few months could be tougher for risk assets, given very high uncertainties, particularly with respect to how COVID-19 will evolve. Oil prices and the loonie could thus end the year slightly lower than they are now. The stock markets are also likely to see a consolidation period and even dips after the last few months' gains. Over the medium term, however, central banks' commitment to long-term support for financial markets suggests some good potential for gains by stock indexes.

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	0.20	0.25	0.30	0.35	0.40	0.45	0.50
5-year	1.54	1.68	0.36	0.35	0.40	0.45	0.50	0.55	0.60	0.65
10-year	1.67	1.92	0.67	0.70	0.75	0.80	0.85	0.90	0.95	1.05
30-year	2.11	2.39	1.32	1.45	1.50	1.55	1.60	1.65	1.70	1.75
Canada										
2-year	1.58	1.69	0.42	0.30	0.35	0.40	0.45	0.50	0.55	0.60
5-year	1.40	1.68	0.60	0.40	0.45	0.50	0.55	0.60	0.65	0.70
10-year	1.37	1.70	0.71	0.55	0.60	0.70	0.75	0.80	0.85	0.95
30-year	1.53	1.76	1.32	1.10	1.15	1.25	1.30	1.40	1.45	1.50
Currency market										
Canadian dollar (USD/CAD)	1.32	1.30	1.41	1.37	1.37	1.36	1.35	1.34	1.33	1.33
Canadian dollar (CAD/USD)	0.76	0.77	0.71	0.73	0.73	0.74	0.74	0.75	0.75	0.75
Euro (EUR/USD)	1.09	1.12	1.10	1.12	1.12	1.11	1.12	1.12	1.13	1.13
British pound (GBP/USD)	1.23	1.32	1.24	1.25	1.25	1.24	1.24	1.25	1.26	1.28
Yen (USD/JPY)	108	109	108	108	108	108	109	110	111	111
Stock markets (level and growth)*										
United States – S&P 500	3,231		Target: 3,300 (+2.1%)				Target: 3,600 (+9.1%)			
Canada – S&P/TSX	17,063		Target: 16,500 (-3.3%)				Target: 18,400 (+11.5%)			
Commodities (annual average)										
WTI oil (US$/barrel)	57 (61*)		34 (35*)				45 (50*)			
Gold (US$/ounce)	1,393 (1,521*)		1,680 (1,725*)				1,700 (1,650*)			

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

Overseas

Recovery on the Horizon

FORECASTS

The COVID-19 pandemic has given the global economy an enormous shock. In the first quarter, real GDP declined everywhere; the carnage will be even clearer in the second quarter, with most of the major economies seeing contractions of around 12% (40% annualized). However, economies are reopening, and some confidence indexes have improved, suggesting a recovery is materializing. This dynamic is even more obvious in China, where activity is already rebounding. However, in China and elsewhere, the recovery will generally be gradual. We expect global GDP to drop 3.4% in 2020 and rise 5.1% next year.

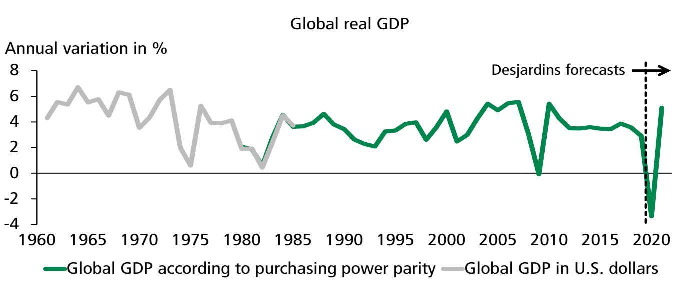
The state of emergency associated with the COVID-19 pandemic has quieted a lot. It is, of course, too early to conclude that the public health crisis is completely behind us; unfortunately, numerous countries and regions are still seeing accelerating COVID-19 cases and the allied deaths, particularly in emerging nations. The stabilization noted in Europe and North America is largely due to the public health and shelter-at-home policies introduced. However, these measures delivered a large and abrupt shock to the global economy; in 2020, it should record the worst decline in real GDP since data was first published in 1960 (graph 1). That said, now that the situation is mostly under control in most of the major economies, they are now in the process of reopening. A recovery should gradually materialize, failing a second wave of the pandemic.

EURO ZONE

The economic indicators released in the euro zone since March also confirm the scope of the damage caused by the COVID-19 pandemic. Retail sales and industrial output fell between 10% and 20% in March and April in most of the zone's countries. The difference in the magnitude of the drop in activity between countries depends on several factors, but is primarily tied to the extent of coronavirus spread and severity of the confinement measures, two factors that generally go hand in hand. Confinement was more extensive in France and Italy, and these two countries' real GDPs fell the most in the first quarter. This is also where the worst declines should come in the second quarter. Germany's public health situation meant that the lockdown was not as stringent and enabled faster reopening. Germany's first-quarter decline by real GDP (-2.2% or -8.6% annualized) was much smaller than it was in Italy (-5.3% or -19.6% annualized) or France (-5.3% or -19.7% annualized) (graph 2). The German economy is projected to contract sharply this spring, but the decline should be much smaller than in France or Italy.

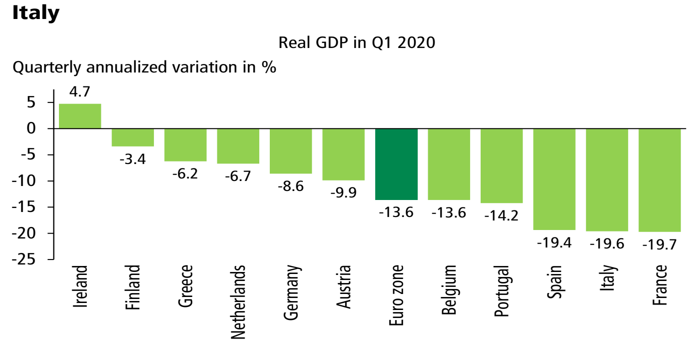
Germany eased lockdown measures more quickly, but easing is already well underway in other euro zone countries. Several confidence indicators have improved. Euroland's composite PMI index went from a record low of 13.6 in April to 31.9 in May. This is quite far from February's 51.6, but it is still a step in the right direction (graph 3 on page 5). The European Commission's business and household confidence indexes were also up in May after tumbling in the previous two months. Note also that these indexes did not slump as low as they had during the 2008–2009 recession. Among other things, the government

GRAPH 1
The worst drop in global real GDP



NOTE: Global GDP by purchasing power parity is generally the measure used to track global economic activity. To be able to make a longer historical comparison, we also use a measure of world GDP in U.S. dollars, the pre-1990 evolution of the two measures being practically the same.
Sources: World Bank, International Monetary Fund and Desjardins, Economic Studies

GRAPH 2
In Germany, the contraction was much smaller than in France or Italy



Sources: Eurostat and Desjardins, Economic Studies measures supported businesses and workers' incomes. Thanks to some of the measures, moreover, the unemployment rate did not increase much in the euro zone in April (the only noteworthy increase occurred in France). Also, other government assistance programs, including a common €750B fund, were put forward to support the recovery.

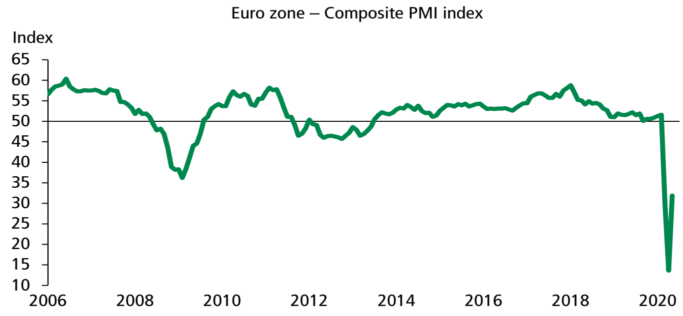
UNITED KINGDOM

The United Kingdom was late to institute harsh lockdown measures, with the result that its economy was less affected in the first quarter, posting an 2.0% (7.7% annualized) decline in real GDP. However, that also triggered a rapid spike in COVID-19 cases and caused it to stabilize later. Britain's government had to maintain strict lockdown measures for longer, so the adverse impact will be worse in the second quarter. Monthly real GDP fell 5.9% in March, then tumbled 20.4% in April (graph 4); the situation likely did not shift much in May. Real GDP is expected to plunge by 16.8% (52.0% annualized) in the second quarter and an 9.1% contraction is forecast for 2020 as a whole. The British economy should only show real signs of rebounding in June and the third quarter.

CHINA

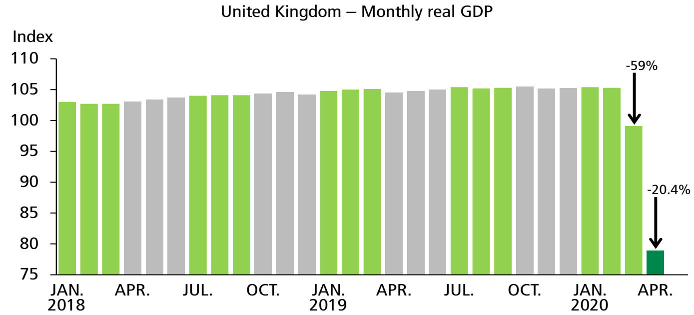
The first to be hit by the pandemic and its economic impacts, China is also the first to emerge. Note that China's real GDP tumbled an 9.8% (33.8% annualized) in the first quarter, the first decline since the indicator started to be published. The signs of a rebound are already quite present for the second quarter. In May, the annual change in industrial production was already 4.4% higher than a year previously. Retail sales went from an annual -20.5% in January-February to -2.8% in May, implying strong growth from the first to the second quarter (graph 5). Clearly, China will continue to be affected by the weakness in the global economy and world trade but is still projected to grow 1.0% for 2020 as a whole.

GRAPH 3
The euro zone PMI index is on the rise but remains very low



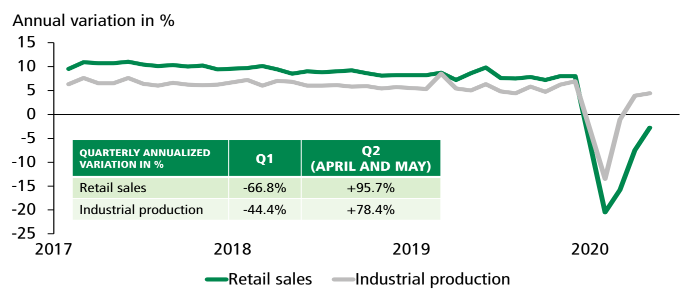
Sources: Datastream, IHS/Markit and Desjardins, Economic Studies

GRAPH 4
April's plunge by the U.K.'s real GDP suggests a steep drop by real GDP for the whole quarter



Sources: Office for National Statistics and Desjardins, Economic Studies

GRAPH 5
The recovery seems well underway in China



QUARTERLY ANNUALIZED VARIATION IN %	Q1	Q2 (APRIL AND MAY)
Retail sales	-66.8%	+95.7%
Industrial production	-44.4%	+78.4%

Sources: Office of National Statistics and Desjardins, Economic Studies

United States

U.S. Economy in Recession

FORECASTS

The United States was severely impacted by the COVID-19 pandemic. This is also the country with the most cases and most deaths. The public health and lockdown measures helped stabilize the situation, but the economic toll has been heavy. Real GDP fell 1.3% (5.0% annualized) in the first quarter and is projected to plunge 10.2% (35.0% annualized) in the second. The economy began to reopen as of May, however, and the indicators are starting to rise, particularly for the job market. This situation should persist, and real GDP growth should be fairly strong in the third quarter. That said, recent signs of a second wave in certain states are keeping uncertainty elevated. For 2020 as a whole, real GDP should pull back 5.1%; a gain of 4.0% is forecast for 2021.

In the first quarter, the pandemic was already having a heavy impact on the U.S. economy. Prior to COVID-19, real GDP was trending at just above 2%. The two weeks of lockdown measures in March triggered a decline of 1.3% (5.0% annualized) for the whole winter quarter. As the measures persisted through April in most states and continued in May and part of June in heavily populated states like New York, California and Illinois, the negative impact on economic activity will be even bigger in the second quarter. Before their rise in May, retail sales were down 21.8% from February to April. Manufacturing production retreated 20.0%, while housing starts fell 43.1%. Certain retailers were particularly hard hit in March and April, such as clothing (-87.3%), furniture and electronics (-56.9%) and food services (-54.2%).

Declines like this will, of course, hurt real GDP growth over the whole second quarter, even though gains were made in May and June. Consumption is projected to plummet by just over 12% (40% annualized). Business investment is also expected to post a substantial contraction of over 11% (35% annualized). Residential investment and business inventories will also take big bites out of growth.

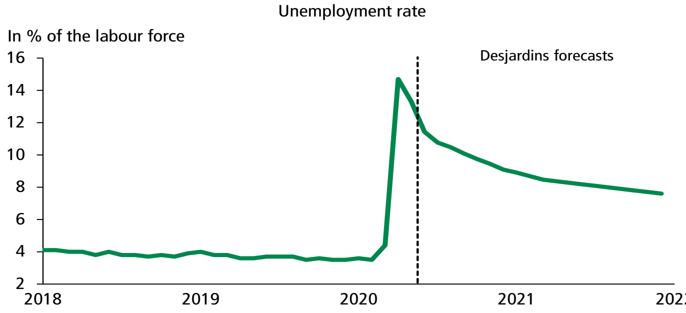
The economy's contraction is also being reflected in the real carnage in the labour market. 22,060,000 jobs were lost in March and April. Previously, the worst performance over two months was the 1,543,000 jobs lost in February and March 2009. The wind began to shift as of May, with 2,509,000 jobs being recouped. This result came as a surprise: further net layoffs were expected due to the high level of new jobless claims. A new dynamic therefore seems to have materialized in the job market in a context in which there are still many job losses, but even more people who were laid off are going back to work. The improvement should continue in the coming months. However, we do not expect all of the lost jobs to be recovered in the near term. The jobless rate will remain well above February's 3.5% low at the end of next year (graph 6).

Broad swaths of the economy are reopening, an uptrend is emerging in employment, there were increases in sales and production as of May, and some confidence indexes are improving, particularly in June, paving the way for strong real GDP growth in the third quarter. An gain close to 6% (25% annualized) is anticipated.

Despite the job market's dizzying plunge, Americans' real disposable income jumped 13.4% in April. The government assistance, received as a lump sum ($1,200 per adult and $500 per child) and expanded unemployment benefits, has more than offset the lost wages. Combined with the drop in consumption, the increase in income has made the savings rate shoot up, something that should support the economy's recovery.

These measures and the other government programs enacted since the start of the crisis, combined with the worsening economy, will make the U.S. federal government's debt balloon. Since the start of the fiscal year on October 1, 2019, the deficit has climbed to US$2,126B, the highest level ever recorded. It was US$984B at the end of fiscal 2019. The Congressional Budget Office expects the deficit to hit US$3,700B

GRAPH 6
The U.S. unemployment rate is already down but will remain much higher than prior to the crisis for the near term



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

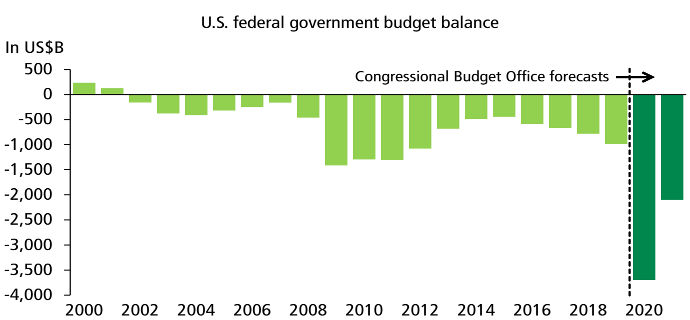
TABLE 3
United States: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2019		2020				ANNUAL AVERAGE			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	2018	2019	2020f	2021f
Real GDP (2012 US$)	**2.1**	**2.1**	**-5.0**	**-35.0**	**24.2**	**9.9**	**2.9**	**2.3**	**-5.1**	**4.0**
Personal consumption expenditures	3.1	1.8	-6.8	-40.8	32.2	14.3	3.0	2.6	-6.0	4.8
Residential construction	4.6	6.5	18.5	-15.0	19.0	30.3	-1.5	-1.5	6.9	13.1
Business fixed investment	-2.3	-2.4	-7.9	-36.6	9.1	6.0	6.4	2.1	-9.4	1.7
Inventory change (US$B)	69.4	13.1	-67.2	-175.0	-100.0	-75.0	48.1	67.0	-104.3	-6.3
Public expenditures	1.7	2.5	0.8	-2.0	0.0	-1.8	1.7	2.3	0.7	0.1
Exports	0.9	2.1	-8.7	-18.0	11.0	5.0	3.0	0.0	-4.1	3.2
Imports	1.8	-8.4	-15.5	-11.0	9.0	10.0	4.4	1.0	-6.0	4.0
Final domestic demand	2.2	1.5	-4.8	-32.8	23.2	11.0	3.0	2.3	-4.5	4.2
Other indicators										
Nominal GDP	3.8	3.5	-3.5	-35.9	26.4	11.2	5.4	4.1	-4.1	5.5
Real disposable personal income	2.1	2.1	0.9	6.4	-3.5	2.0	4.0	2.9	1.8	1.8
Employment according to establishments	1.5	1.7	0.4	-39.9	25.5	8.4	1.6	1.4	-5.3	3.1
Unemployment rate (%)	3.6	3.5	3.8	13.1	10.4	9.4	3.9	3.7	9.2	8.2
Housing starts[1] (thousands of units)	1,288	1,433	1,484	1,019	1,275	1,327	1,248	1,296	1,276	1,408
Corporate profits*[2]	-1.2	2.2	-8.5	-40.0	-30.0	-25.0	3.4	0.0	-26.0	16.3
Personal saving rate (%)	7.7	7.7	9.6	21.5	15.2	12.8	7.7	7.9	14.8	12.4
Total inflation rate*	1.8	2.0	2.1	0.5	0.5	0.4	2.4	1.8	0.9	2.0
Core inflation rate*[3]	2.3	2.3	2.2	1.2	0.8	0.7	2.1	2.2	1.3	1.2
Current account balance (US$B)	-502	-439	-400	-387	-406	-444	-491	-498	-409	-465

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

at the end of September 2020 (graph 7), not factoring other assistance programs that could be introduced, sooner or later. From 79.2% of GDP in 2019, the federal government's debt should easily cross above 100% of GDP this year. Currently needed, the situation could, however, curb the ambitions of the person who is in the White House after the election on November 3, either Donald Trump for a second term, or former Vice President Joe Biden.

GRAPH 7
The pandemic deals a tough blow to U.S. public finances



Sources: Congressional Budget Office and Desjardins, Economic Studies

Canada

Heading for a Gradual Recovery after the Shock of March and April

FORECASTS

The difficulties in Canada's economy should intensify in the second quarter; real GDP is projected to decline by 12.0% (40.0% annualized). Canada should therefore go through one of the worst recessions in its history. Only in the third quarter will the economy's recovery start to have a positive impact on quarterly results. On average, 2020 should see real GDP decline by 5.9%. This outlook is a little more optimistic than our previous scenario, as the latest developments for the pandemic and certain economic indicators are encouraging. Canada's economy should continue to recover next year; real GDP could increase an average of 5.2%.

As is the case worldwide, Canada's economy is being lashed by the adverse effects of COVID-19. The lockdown measures introduced in all the provinces have hobbled the country's production and triggered historic fluctuations in the Canadian economy. Therefore, after rising 0.1% in January and February, real GDP by industry collapsed in March, tumbling 7.2%. This resulted in a 2.1% decline in real GDP (8.2% annualized) for the first quarter as a whole.

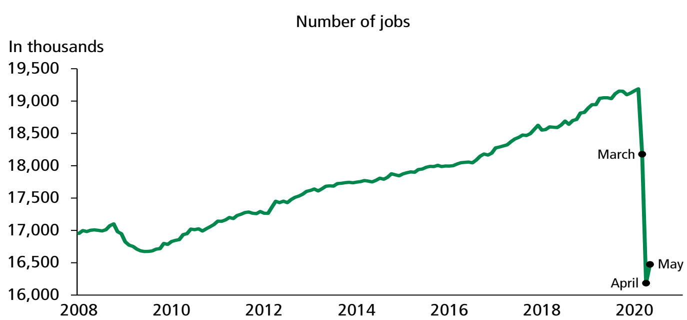
Overall, the service sectors saw production fall nearly twice as much as the goods sector. Some sectors are particularly hard hit, such as air transport, arts, entertainment and recreation, and accommodation and food services.

Unfortunately, the economic difficulties intensified in April. Statistics Canada's interim results show real GDP by industry again declining by approximately 11% during the month. Among other things, the labour market was particularly hard hit, with a total of just over 3,000,000 jobs lost in March and April. Numerous government measures to support individuals and businesses lessened the adverse impacts of COVID-19, however. In addition to helping Canadians and businesses get through the crisis, these measures should help the situation get back to normal by keeping them afloat.

The future looks more positive. Lockdown measures are slowly being lifted across the country, which should allow Canada's economy to start recovering as of May. Some economic indicators are also showing some positive signs. The labour market rebounded in May, creating 289,600 jobs (graph 8). This is a first step in the right direction, although it will take several quarters to fully recoup the 3,000,000 jobs lost. Consumer, manufacturer and SME confidence also rose in May (graph 9), after declining for two months. Seasonally adjusted new automobile sales jumped 124% in May, recouping just over half of the ground lost in March and April.

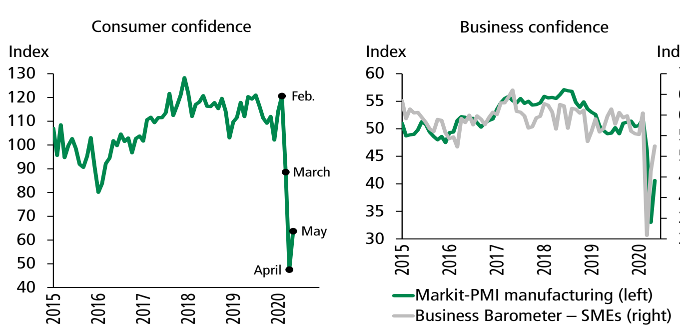
That being said, Canada's economic recovery will be slow and gradual. While real GDP by industry should be back in positive territory in May and June, the base effects of the real GDP's plunge in March and April mean that the average for the second quarter will be heavily negative (graph 10 on page 9). Our scenario therefore calls for real GDP to decline 12.0% (40.0% annualized) for the second quarter as a whole. Clearly, this is a historic drop by Canada's real GDP. It will be the third quarter before the quarterly results reflect the Canadian economy's rebound. That being said, uncertainty remains very

GRAPH 8
In Canada, employment will make a slow, gradual recovery



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 9
Confidence has started to come back in Canada



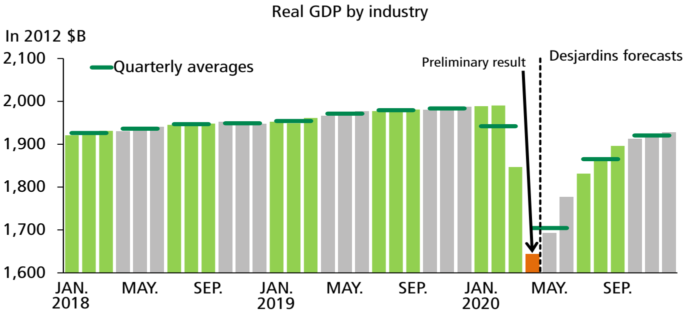
Sources: Conference Board of Canada, Canadian Federation of Independent Business, IHS-Markit and Desjardins, Economic Studies

TABLE 4
Canada: Major economic indicators

QUARTERLY ANNUALIZED VARIATION IN % (EXCEPT IF INDICATED)	2019 Q3	2019 Q4	2020 Q1	2020 Q2f	2020 Q3f	2020 Q4f	ANNUAL AVERAGE 2018	2019	2020f	2021f
Real GDP (2012 $)	**1.1**	**0.6**	**-8.2**	**-40.0**	**42.0**	**12.0**	**2.0**	**1.7**	**-5.9**	**5.2**
Final consumption expenditure [of which:]	2.0	1.7	-7.5	-37.9	41.8	12.2	2.4	1.8	-4.9	5.1
Household consumption expenditure	*2.2*	*1.8*	*-9.0*	*-52.2*	*55.7*	*15.1*	*2.2*	*1.6*	*-8.5*	*6.5*
Governments consumption expenditure	*1.6*	*1.5*	*-3.8*	*-2.0*	*7.5*	*5.0*	*3.0*	*2.1*	*0.5*	*-1.0*
Gross fixed capital formation [of which:]	7.4	-2.4	-0.3	-37.1	22.8	11.6	1.2	-0.4	-5.0	4.9
Residential structures	*13.8*	*1.2*	*-0.4*	*-27.7*	*23.6*	*17.7*	*-1.6*	*-0.6*	*-0.2*	*7.9*
Non-residential structures	*7.7*	*0.7*	*4.1*	*-60.0*	*25.0*	*10.0*	*-0.6*	*0.7*	*-10.7*	*1.8*
Machinery and equipment	*-3.7*	*-13.2*	*-13.1*	*-60.0*	*30.0*	*10.0*	*4.7*	*-0.1*	*-19.0*	*2.4*
Intellectual property products	*1.1*	*-6.9*	*1.0*	*-30.0*	*15.0*	*4.0*	*3.9*	*-4.8*	*-5.3*	*2.9*
Governments gross fixed capital formation	*9.4*	*-1.4*	*4.6*	*-5.0*	*15.0*	*7.0*	*5.2*	*-0.3*	*2.8*	*4.4*
Investment in inventories (2012 $B)	8.4	9.4	-2.0	-10.7	-0.7	-4.7	13.0	15.1	-4.6	-7.1
Exports	-0.4	-4.5	-11.3	-43.0	50.0	23.0	3.1	1.3	-7.1	10.1
Imports	0.2	-3.2	-10.7	-40.0	41.0	20.0	2.6	0.6	-7.4	8.7
Final domestic demand	3.2	0.8	-6.0	-37.7	37.9	12.1	2.1	1.3	-4.9	5.1
Other indicators										
Nominal GDP	1.1	4.2	-6.5	-42.0	43.0	13.5	3.9	3.6	-5.0	6.5
Real disposable personal income	1.1	4.2	0.6	-25.0	15.0	8.0	2.0	2.8	-1.8	2.8
Employment	1.1	0.5	-5.8	-39.4	36.5	6.6	1.3	2.1	-5.9	3.4
Unemployment rate (%)	5.6	5.7	6.3	12.5	9.0	8.3	5.8	5.7	9.0	7.8
Housing starts[1] (thousands of units)	223	201	208	180	182	188	213	209	190	198
Corporate profits*[2]	-5.4	5.5	-3.1	-35.0	-35.0	-30.0	2.5	-0.1	-26.1	15.3
Personal saving rate (%)	3.0	3.6	6.1	16.5	9.6	8.1	1.8	3.0	10.1	6.6
Total inflation rate*	1.9	2.1	1.8	-0.1	0.0	0.1	2.3	1.9	0.4	2.2
Core inflation rate*[3]	2.2	1.9	1.8	0.8	0.2	0.3	1.9	2.0	0.8	1.1
Current account balance ($B)	-11	-9	-11	-40	-25	-22	-55	-47	-98	-62

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

GRAPH 10
The Canadian economy's slide should intensify in April… a gradual recovery should start in May



Sources: Statistics Canada and Desjardins, Economic Studies

high. The pandemic's evolution will, of course, be critical in the Canadian economy's future growth; a second wave remains possible.

Quebec

The Economy's Recovery Phase Is Underway

FORECASTS

Quebec's economy was hit hard by the lockdown measures required to limit the spread of COVID-19. Numerous sectors are slowly reopening, a move which intensified as of May, which is already generating a net improvement in indicators. Although the economy has started to rebound, the effects will be felt for several more quarters. The permanent closure of some establishments and consumer and business wariness mean it will be the middle of 2022 before real GDP recovers.

Many statistics confirm that the province saw more upheaval than elsewhere in the country. Social distancing measures were imposed earlier than in some other provinces, and the closures were extended to many sectors. The job losses were proportionally larger than in Canada, and the unemployment rate shot up. After hitting a record monthly low of 4.5% in February, the unemployment rate reached a peak of 17.0% in Quebec in April.

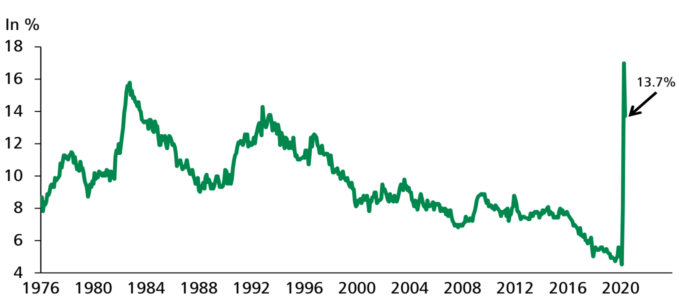
Conversely, the gradual reopening of the economy, which occurred ahead of several provinces, made employment rebound sharply, dropping the unemployment rate to 13.7% in May (graph 12). Then, the Statistics Canada survey was reflecting the reopening of businesses, elementary schools and daycares outside of Greater Montreal, as well as restarting manufacturing and construction in the province. With some workers back on the job, 230,900 jobs were recovered in May. However, this gain only wiped out nearly 30% of the losses recorded in March and April in Quebec.

The labour market will continue to recover in step with the phases in lifting the lockdown. The accommodation and food services sectors, retail trade and the entertainment industries were especially pummeled by social distancing measures. Permanent closures by some establishments could mount up in the coming months. In this context, about 75% of the jobs lost should be recovered by the end of 2020, with the unemployment rate dropping back below 8%.

In this context, consumer confidence (graph 13) and retail sales, which fell abruptly this spring, should come back up without returning to pre-crisis levels. The federal government's support programs helped largely offset the household employment income lost since March. Many have gotten a three-month to six-month reprieve from their financial institutions to repay their debts. The fall promises to be more difficult: there will probably be less government assistance and the debt payment postponement period should be over.

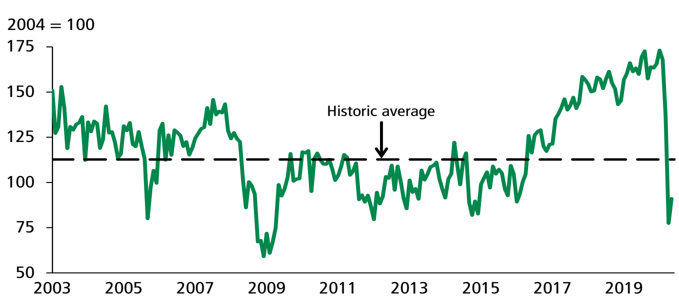
The relatively high unemployment rate, economic uncertainty, and financial problems in many households will impact the housing sector. Home sales, which fell during the lockdown, will recover in the near term, but activity will be more subdued than prior to the crisis. The market will move away from overheating in Montreal and become more balanced this summer. However, it will take a major deterioration in market conditions, still very tight recently, to drag prices down in Quebec.

GRAPH 11
Quebec's unemployment rate has moved off March's peak



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 12
Quebec consumer confidence has deteriorated



Sources: Conference Board of Canada and Desjardins, Economic Studies

TABLE 5
Quebec: Major economic indicators

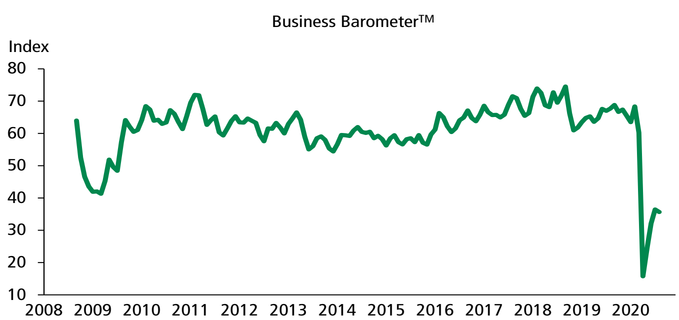
ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2017	2018	2019	2020f	2021f
Real GDP (2012 $)	**2.8**	**2.5**	**2.7**	**-6.6**	**6.1**
Final consumption expenditure [of which:]	2.9	2.3	2.0	-4.3	4.4
Household consumption expenditure	*3.3*	*2.2*	*1.7*	*-7.4*	*4.9*
Governments consumption expenditure	*2.3*	*2.5*	*2.9*	*0.3*	*1.9*
Gross fixed capital formation [of which:]	7.5	3.5	2.7	-4.2	2.1
Residential structures	*7.3*	*4.0*	*3.9*	*-0.1*	*1.7*
Non-residential structures	*1.1*	*-0.9*	*4.3*	*-19.2*	*-2.5*
Machinery and equipment	*19.0*	*-1.6*	*1.0*	*-12.4*	*1.5*
Intellectual property products	*3.7*	*4.6*	*-2.4*	*-0.2*	*1.5*
Governments gross fixed capital formation	*8.2*	*9.4*	*2.8*	*2.1*	*4.8*
Investment in inventories (2012 $B)	562	1,984	3,698	4,875	4,500
Exports	0.8	4.2	1.4	-7.7	7.8
Imports	6.0	2.8	0.1	-4.1	2.5
Final domestic demand	3.8	2.5	2.2	-4.3	4.0
Other indicators					
Nominal GDP	5.0	4.8	4.4	-5.2	7.5
Real disposable personal income	4.3	2.8	3.6	1.0	2.5
Weekly earnings	2.8	3.2	3.5	3.1	2.2
Employment	2.2	0.9	1.8	-5.9	3.1
Unemployment rate (%)	6.1	5.5	5.1	8.9	7.5
Personal saving rate (%)	5.7	6.2	8.0	16.1	13.8
Retail sales	5.5	2.9	1.9	-5.1	6.3
Housing starts[1] (thousands of units)	46.5	46.9	48.0	45.0	40.0
Total inflation rate	1.0	1.7	2.1	0.6	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

SME confidence plunged at the start of the lockdown, then edged up in May (graph 14). The financial difficulties facing many businesses and climate of uncertainty will delay a recovery by investment. Quebec's international exports will be slow to recover due to the problems in the global economy and disruptions in the supply chain between various trade blocs. International shipments will not fully recover by the end of 2021.

Aside from government expenditures, which are accelerating, all components of the economy have a steep hill to climb. Real GDP fell about 2.5% (10.0% annualized) in the first quarter; the decline will be even sharper in the second quarter, and a recovery will then settle in. Although Quebec is recovering more quickly than the rest of Canada, the major economic damage in March and April will make real GDP pull back 6.6% in 2020. It is forecast to rebound 6.1% in 2021.

GRAPH 13
Quebec small business confidence is gradually improving



Sources: Canadian Federation of Independent Business and Desjardins, Economic Studies

Ontario and Other Provinces

Widespread Recession in 2020

FORECASTS

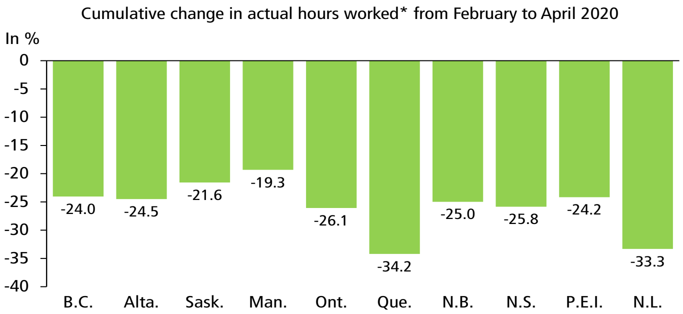
Alberta and Saskatchewan contrasted with the other provinces in 2019, with declines in real GDP. In 2020, they will be joined by all of the other provinces, as the adverse impacts of COVID-19 will be felt across the country. We can therefore expect a widespread recession. The scope of the decline will differ from region to region. Alberta and Saskatchewan should once again stand out, as the ongoing problems in the energy sector will intensify their downturns.

ONTARIO

With about 222 cases per 100,000 inhabitants, Ontario ranks second among the provinces hardest hit by COVID-19. Like the rest of the country, Ontario introduced lockdown measures as of March to combat the virus's spread. The number of actual hours worked fell substantially in the province in March and April (graph 14), suggesting that economic activity plunged. Among other things, the automotive industry, already affected by the strike by U.S. employees of General Motors (GM) and interruptions in rail transport, was especially impacted by the temporary closures introduced to combat the spread of COVID-19.

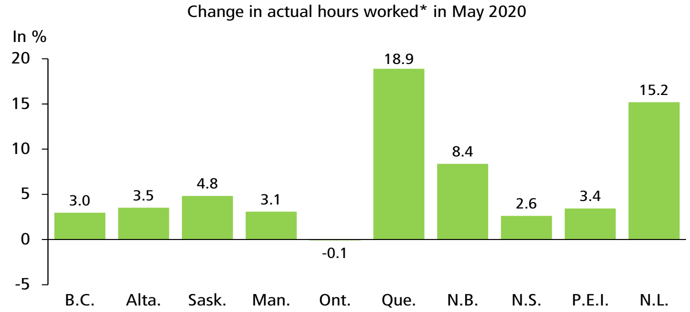
However, Ontario is being slower to reopen than most other provinces, with several restrictive measures being extended. Ontario is thus the only province not to see the number of jobs increase in May; it was also the only province to see the actual number of hours worked decline again that month (graph 15). That being said, the restrictions are now increasingly being lifted in the province, paving the way for economic activity to gradually resume. Following a historic decline in the first and second quarters, Ontario's real GDP should be back in positive territory as of the third quarter.

GRAPH 14
Lockdown measures triggered fairly similar drops in economic activity among the provinces



* Seasonally adjusted.
Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 15
Quebec was at the forefront of the rebound in May, while lockdown measures were extended in Ontario



* Seasonally adjusted.
Sources: Statistics Canada and Desjardins, Economic Studies

WESTERN PROVINCES

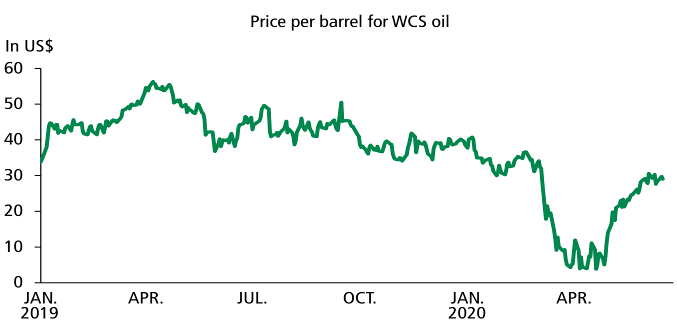
Alberta and Saskatchewan entered the COVID-19 on their knees. They were the only two provinces to see their real GDPs decline in 2019. Clearly, both provinces are feeling the pinch of ongoing, relatively low oil prices. In addition to the mining, oil and gas extraction sector, the manufacturing and construction sectors also fell substantially in Alberta and Saskatchewan last year. The economic problems should clearly worsen in these regions with the onset of COVID-19 in March 2020. Moreover, the pandemic led to major upheaval in oil supply and demand, which temporarily took oil prices down in March and April. The unemployment rate more than doubled in Alberta during the crisis, going from 7.2% in February to 15.5% in May. Canadian oil prices started to recover some lost ground in early May and are now almost back where they were before the COVID-19 crisis (graph 16 on page 13). However, as in 2019, Canadian oil prices remain fairly low, historically, generating profitability issues in the energy sector and curbing investment. Under these circumstances, the drop in real GDP expected nationwide in 2020 should be particularly steep in Alberta and Saskatchewan.

TABLE 6
Ontario: Major economic indicators

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2017	2018	2019	2020f	2021f
Real GDP (2012 $)	**2.9**	**2.2**	**1.6**	**-5.5**	**5.0**
Final consumption expenditure [of which:]	3.5	2.8	2.2	-2.6	5.2
Household consumption expenditure	*4.1*	*2.5*	*2.2*	*-7.5*	*5.5*
Governments consumption expenditure	*2.0*	*3.7*	*2.2*	*6.0*	*1.4*
Gross fixed capital formation [of which:]	4.4	2.0	-1.0	-6.3	3.6
Residential structures	*0.6*	*-3.3*	*-0.4*	*-2.6*	*5.6*
Non-residential structures	*3.2*	*1.0*	*-4.9*	*-12.1*	*-0.3*
Machinery and equipment	*13.9*	*11.5*	*-0.4*	*-19.1*	*-0.5*
Intellectual property products	*1.9*	*2.9*	*-2.8*	*-8.4*	*1.8*
Governments gross fixed capital formation	*7.9*	*6.2*	*3.6*	*2.4*	*6.1*
Investment in inventories (2012 $B)	7,306	7,424	6,878	2,193	-3,258
Exports	0.4	0.9	2.0	-7.8	12.1
Imports	3.1	1.6	1.1	-4.5	10.2
Final domestic demand	3.7	2.6	1.5	-3.3	4.9
Other indicators					
Nominal GDP	4.6	3.7	3.9	-4.0	6.4
Real disposable personal income	3.6	2.7	2.9	-0.8	2.8
Weekly earnings	1.9	2.9	2.8	2.2	1.9
Employment	1.8	1.6	2.9	-5.6	3.5
Unemployment rate (%)	6.0	5.6	5.6	8.5	7.6
Personal saving rate (%)	-0,6	-0,6	-0,1	6.8	4.1
Retail sales	7.7	4.4	2.9	-5.6	6.0
Housing starts[1] (thousands of units)	79.1	78.7	69.0	69.6	75.4
Total inflation rate*	1.7	2.4	1.9	0.3	2.4

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 16
Oil prices came up quickly in Canada



WCS: Western Canadian Select
Sources: Datastream and Desjardins, Economic Studies

The situation is better in Manitoba and British Columbia. Actual hours worked retreated less between February and April, particularly in Manitoba. In British Columbia, homebuilding remains relatively strong, as shown by the recent advance by housing starts. The two provinces could see their real GDP decline less than the national average for 2020.

ATLANTIC PROVINCES

In Atlantic Canada, Newfoundland and Labrador seems especially hard hit by the decline in hours worked, suggesting that COVID-19 is having a substantially negative impact there. The rest of Atlantic Canada is generally less affected. Among other things, the daily number of new coronavirus cases has almost fallen to zero in Nova Scotia and Prince Edward Island.

TABLE 7
Canada: Major economic indicators by provinces

ANNUAL AVERAGE IN % (EXCEPT IF INDICATED)	2017	2018	2019	2020f	2021f
Real GDP growth – Canada	**3.2**	**2.0**	**1.7**	**-5.9**	**5.2**
Atlantic	1.6	-0.1	1.5	-5.1	4.1
Quebec	2.8	2.5	2.7	-6.6	6.1
Ontario	2.9	2.2	1.6	-5.5	5.0
Manitoba	3.1	1.3	1.0	-4.0	3.8
Saskatchewan	1.7	1.3	-0.8	-7.0	5.5
Alberta	4.8	1.6	-0.6	-8.5	6.0
British Columbia	3.7	2.6	2.8	-4.0	3.8
Total inflation rate – Canada	**1.6**	**2.3**	**1.9**	**0.4**	**2.2**
Atlantic	1.8	2.0	1.5	0.1	1.9
Quebec	1.0	1.7	2.1	0.6	2.0
Ontario	1.7	2.4	1.9	0.3	2.4
Manitoba	1.6	2.5	2.2	0.3	2.2
Saskatchewan	1.7	2.3	1.7	0.2	1.7
Alberta	1.6	2.4	1.8	0.7	1.8
British Columbia	2.1	2.7	2.3	0.5	2.5
Employment growth – Canada	**1.9**	**1.3**	**2.1**	**-5.9**	**3.4**
Atlantic	-0.2	1.0	1.5	-5.1	2.7
Quebec	2.2	0.9	1.8	-5.9	3.1
Ontario	1.8	1.6	2.9	-5.6	3.5
Manitoba	1.7	0.6	0.9	-4.5	3.5
Saskatchewan	-0.2	0.4	1.8	-6.5	3.0
Alberta	1.0	1.9	0.5	-8.0	3.0
British Columbia	3.7	1.1	2.6	-5.5	4.0
Unemployment rate – Canada	**6.3**	**5.8**	**5.7**	**9.0**	**7.8**
Atlantic	9.7	9.1	8.5	10.7	9.8
Quebec	6.1	5.5	5.1	8.7	7.5
Ontario	6.0	5.6	5.6	8.5	7.6
Manitoba	5.4	6.0	5.3	8.0	7.2
Saskatchewan	6.3	6.1	5.4	8.8	7.8
Alberta	7.8	6.6	6.9	10.4	9.2
British Columbia	5.1	4.7	4.7	8.3	7.2
Retail sales growth – Canada	**7.1**	**2.9**	**1.6**	**-5.6**	**6.4**
Atlantic	6.2	0.3	1.9	-5.7	6.1
Quebec	5.5	2.9	1.9	-5.1	6.3
Ontario	7.7	4.4	2.9	-5.6	6.0
Manitoba	7.8	2.9	1.2	-6.0	6.5
Saskatchewan	4.1	-0.3	-0.5	-3.0	4.0
Alberta	7.1	2.0	-0.9	-10.0	8.0
British Columbia	9.3	2.0	0.6	-3.0	7.0
Housing starts – Canada (thousands of units)	**219.8**	**212.8**	**208.7**	**189.6**	**198.1**
Atlantic	8.6	9.3	10.1	8.3	9.1
Quebec	46.5	46.9	48.0	45.0	40.0
Ontario	79.1	78.7	69.0	69.6	75.4
Manitoba	7.5	7.4	6.9	5.9	6.2
Saskatchewan	4.9	3.6	2.4	2.5	2.8
Alberta	29.5	26.1	27.3	22.7	26.6
British Columbia	43.7	40.9	44.9	35.6	38.0

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

Getting Back to Normal Will Take Time

The economy will probably feel the effects of the pandemic for a long time. In 2022, many countries will return to production levels that are higher than that posted at the end of 2019. However, surplus production capacity will still persist, particularly in the labour market. As a result, inflationary pressure should remain low, pushing for very limited interest rate increases from the central banks until 2024.

A New Cycle Is Beginning

The recession that started in the first quarter ended a record cycle lasting over ten years in the United States. This new recession promises to be just as atypical given its large magnitude focused in a very short period of time. An average recession will normally last three or four quarters; a larger recession can last up to two years. It would rather be an economic depression if the contraction lasted longer and real GDP retreated by at least 10%. In the current situation, many countries will post real GDP declines that correspond to an economic depression, but its length will be more akin to that of a short recession.

If the economy evolves as anticipated, a recovery phase is already materializing. This will persist until the production levels seen at the end of 2019 are reached, which should happen in 2022 for most of the advanced countries. An expansion phase will then begin.

Heading for More Subdued Economic Growth Rates

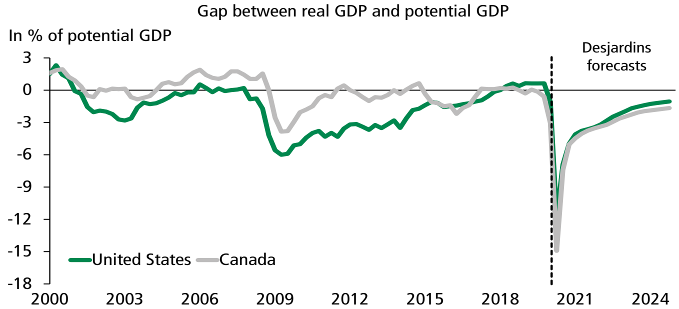
In the next expansion phase, real GDP growth rates could be more subdued, on average, than seen in the previous cycle. The population ageing phenomenon in many countries and weak labour pool growth are structural facets that will continue to limit economic growth potential. Then there are the negative impacts of many businesses' current underinvestment. Moreover, productivity gains could be scarcer if research and development spending is cut, and if some young people's educational careers remain scarred by the pandemic. High government debt loads and the resurgence in protectionism in international trade are also major issues that can penalize medium-term economic growth.

All in all, growth should converge on 2.0% by 2024 in the United States. Growth could be slightly slower in Canada. As Quebec is seeing greater demographic change, the province's economic growth should slide toward 1.5% by 2024 instead.

Low Interest Rates for an Extended Period of Time

The central banks should be in no hurry to raise their key interest rates quickly. Inflation pressures should remain contained as long as real GDP remains below full potential, which we expect until 2024 in the United States and Canada (graph 17). This negative gap is normal at the start of a new economic cycle due to all the unused production capacity. Such a gap will also be visible in the unemployment rate, which will remain above its 2019 level for several years. With time, the number of jobless will gradually decline and businesses will increasingly close in on an optimal output level.

GRAPH 17
We could still be below potential GDP in 2024 in the United States and Canada



Sources: Bureau of Economic Analysis, Congressional Budget Office, Statistics Canada, Bank of Canada and Desjardins, Economic Studies

Monetary firming could begin around 2023. In the United States and Canada, key rates could be raised by about 100 basis points by the end of 2024. At these levels, monetary policies will still be highly stimulating while lowering the risk of new bubbles forming in credit or in the value of some assets.

TABLE 8
Medium-term major economic and financial indicators

IN % (EXCEPT IF INDICATED)	ANNUAL AVERAGE 2018	2019	2020f	2021f	2022f	2023f	2024f	AVERAGES 2015–2019	2020–2024f
United States									
Real GDP (var. in %)	2.9	2.3	-5.1	4.0	2.6	2.5	2.0	2.4	1.2
Total inflation rate (var. in %)	2.4	1.8	0.9	2.0	2.0	1.8	1.9	1.6	1.7
Unemployment rate	3.9	3.7	9.2	8.2	7.0	6.0	5.3	4.4	7.1
S&P 500 index (var. in %)[1]	-6.2	28.9	2.1	9.1	6.0	7.0	6.0	10.2	6.0
Federal funds rate	1.90	2.28	0.55	0.25	0.25	0.95	1.55	1.21	0.71
Prime rate	4.90	5.28	3.55	3.25	3.25	3.95	4.55	4.21	3.71
Treasury bills – 3-month	1.97	2.10	0.40	0.15	0.25	0.85	1.50	1.08	0.63
Federal bonds – 10-year	2.91	2.14	0.90	0.95	1.30	1.80	2.25	2.27	1.44
– 30-year	3.11	2.58	1.55	1.70	1.90	2.25	2.65	2.81	2.01
WTI oil (US$/barrel)	65	57	34	45	54	56	56	53	49
Gold (US$/ounce)	1,269	1,393	1,680	1,700	1,560	1,475	1,400	1,266	1,563
Canada									
Real GDP (var. in %)	2.0	1.7	-5.9	5.2	2.2	2.3	1.9	1.7	1.2
Total inflation rate (var. in %)	2.3	1.9	0.4	2.2	1.6	1.8	1.9	1.7	1.6
Employment (var. in %)	1.3	2.1	-5.9	3.4	1.4	1.5	1.3	1.4	0.3
Employment (thousands)	241	389	-1,124	610	257	288	244	251	55
Unemployment rate	5.8	5.7	9.0	7.8	6.8	6.4	6.2	6.3	7.2
Housing starts (thousands of units)	213	209	190	198	205	209	215	207	203
S&P/TSX index (var. in %)[1]	-11.6	19.1	-3.3	11.5	8.0	7.0	6.0	4.0	5.8
Exchange rate (US$/C$)	0.77	0.75	0.73	0.75	0.76	0.78	0.80	0.77	0.76
Overnight funds	1.40	1.75	0.55	0.25	0.25	0.55	1.15	1.00	0.55
Prime rate	3.61	3.95	2.75	2.45	2.45	2.75	3.35	3.19	2.75
Mortgage rate – 1-year	3.47	3.64	3.20	2.60	2.60	2.75	3.15	3.28	2.86
– 5-year	5.26	5.27	4.85	4.10	4.10	4.40	4.90	4.93	4.47
Treasury bills – 3-month	1.37	1.65	0.45	0.25	0.25	0.60	1.20	0.95	0.55
Federal bonds – 2-year	1.99	1.59	0.55	0.55	0.65	1.00	1.50	1.16	0.85
– 5-year	2.15	1.54	0.65	0.65	0.85	1.25	1.70	1.33	1.02
– 10-year	2.28	1.59	0.75	0.85	1.10	1.50	1.90	1.68	1.22
– 30-year	2.36	1.80	1.25	1.40	1.65	1.90	2.15	2.11	1.67
Yield spreads (Canada—United States)									
Treasury bills – 3-month	-0.60	-0.45	0.05	0.10	0.00	-0.25	-0.30	-0.13	-0.08
Federal bonds – 10-year	-0.63	-0.55	-0.15	-0.10	-0.20	-0.30	-0.35	-0.59	-0.22
– 30-year	-0.75	-0.78	-0.30	-0.30	-0.25	-0.35	-0.50	-0.69	-0.34
Quebec									
Real GDP (var. in %)	2.5	2.7	-6.6	6.1	2.1	1.8	1.5	2.1	1.0
Total inflation rate (var. in %)	1.7	2.1	0.6	2.0	1.7	1.8	1.9	1.3	1.6
Employment (var. in %)	0.9	1.8	-5.9	3.1	1.2	0.9	0.7	1.0	0.0
Employment (thousands)	39	78	-252	127	50	40	30	48	-1
Unemployment rate	5.5	5.1	8.9	7.5	6.7	6.0	5.8	6.3	7.0
Retail sales (var. in %)	2.9	1.9	-5.1	6.3	4.5	4.0	3.5	3.8	2.6
Housing starts (thousands of units)	47	48	45	40	42	41	41	44	42
Ontario									
Real GDP (var. in %)	2.2	1.6	-5.5	5.0	2.4	2.6	2.0	2.3	1.3
Total inflation rate (var. in %)	2.4	1.9	0.3	2.4	1.8	2.0	2.1	1.8	1.7
Employment (var. in %)	1.6	2.9	-5.6	3.5	1.5	1.5	1.3	1.6	0.4
Employment (thousands)	114	210	-420	245	109	111	97	115	28
Unemployment rate	5.6	5.6	8.5	7.6	6.8	6.2	6.0	6.1	7.0
Retail sales (var. in %)	4.4	2.9	-5.6	6.0	3.5	4.0	3.0	5.4	2.2
Housing starts (thousands of units)	79	69	70	75	78	79	80	74	76

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